

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



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



**2022-2023**  
**Annual Comprehensive Financial Report**  
*For the Fiscal Years Ended June 30, 2023 and 2022*

**SANITATION DISTRICT NO. 1**

**ANNUAL COMPREHENSIVE  
FINANCIAL REPORT**

**For the Years Ended June 30, 2023 and 2022**

**Prepared by:**

**Sanitation District No. 1  
Finance Department  
Ft. Wright, Kentucky**

**Ron Schmitt, Jr.  
Director**

**Deborah Vinson  
Accounting Manager**

**SANITATION DISTRICT NO. 1**  
**ANNUAL COMPREHENSIVE**  
**FINANCIAL REPORT**  
**For the Years Ended June 30, 2023 and 2022**

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<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, 2023 and 2022</b></p>
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# **INTRODUCTORY SECTION**



December 19, 2023

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, 2023. 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, 2023 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, 2023 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 347,717 residents throughout Boone, Campbell and Kenton Counties.

SD1 maintains approximately 1,701 miles of sanitary sewer line, 124 wastewater pumping stations, 15 flood pump stations, six package treatment plants, three major wastewater treatment plants, approximately 545 miles of storm sewer pipe and 33,999 storm sewer structures.

In Fiscal Year 2023, SD1 served a sanitary sewer customer base of 111,850 accounts and a storm water customer base of 86,162 accounts. SD1's sanitary sewer customer base has experienced a 1.03 percent average annual growth rate over the past five years, while SD1's storm water customer base has experienced a 2.99 percent average annual decrease over the past five years due to 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. 2021 Census 5-year estimates, Northern Kentucky's population was 395,886. 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 BE NKY Growth Partnership, Northern Kentucky is a key part of the 15-county Greater Cincinnati metropolitan area. Partnerships, collaboration, and innovation have been critical elements for the Northern Kentucky region's success and competitiveness. The Cincinnati MSA unemployment rate had been on a declining trend for the past several years up until April 2020 which was a result of COVID-19 and the subsequent shelter-in-place and stay-at-home orders. Over the past 12 months, the Cincinnati MSA average unemployment rate was 3.3 percent compared to a high of 13.0 percent in April 2020. The regional average 2023 unemployment rate is currently below the national average unemployment rate of 3.6 percent.

In Northern Kentucky, the housing market continues to experience healthy growth with increasing home values, strong demand, and a rise in new home construction. However, the housing market continues to face challenges such as inadequate housing inventory, higher mortgage rates, economic uncertainty, and elevated construction costs.

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

SD1 is in the fifth 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 successfully met its Phase 1, 5-year milestone goals in July 2023. The plan called for eliminating 20 percent of baseline typical-year sanitary sewer overflows (SSOs) and capturing at least 67 percent of typical-year combined system flow. SD1 managed to eliminate over 60 percent of SSOs and capture nearly 71% of combined system flow, far exceeding its Phase 1 goals. Phase 2 of Clean H2O40 is now underway. Over the next six years, SD1 aims to eliminate an additional 40 million gallons of SSOs and 388 million gallons of typical-year combined sewer overflows (CSOs), with projects planned across the region.

Clean H2O40 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 revised 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 fifth year of a residential rate re-structure that increases the base sanitary sewer rate over time to help cover the fixed costs of operations. The base rate, which includes the first 2 hundred cubic feet of wastewater treatment, has increased over the past five years as the variable rate has decreased. The change more closely aligns sanitary sewer rates with the actual cost of providing service and addresses the continuing trend of declining revenue due to decreasing residential 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 \$416,498,322. 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, 2023, net revenues covered debt service on both revenue bonds and Kentucky Infrastructure Authority (KIA) notes by 2.77 times. Unrestricted cash was at a level representing at least 1,494 days' cash which equated to \$170.7 million.

Cash during the year was held in interest bearing accounts or 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**

#### **Controlled Storage Strategy Helps SD1 Dramatically Outperform Clean H2O40 Goals**

In Fiscal Year 2023, SD1 celebrated the successful conclusion of Phase 1 of its Clean H2O40 sewer overflow mitigation program and the launch of Phase 2.

During Phase 1 – which ran through July 2023 – SD1 tripled its goal of eliminating 20 percent of typical-year sanitary sewer overflows (SSOs). This was accomplished through several important projects, including the Licking River Double Siphon project – a pipe built beneath the Licking River – that helped to eliminate about 42 million gallons of typical-year SSOs. Equalization (EQ) tanks in Highland Heights and Silver Grove eliminated another 22 million gallons of SSOs. In all, SD1 eliminated about 69.7 million gallons of typical-year SSOs during Phase 1 and expects to eliminate another 40 million gallons over the next six years.

SD1's river water intrusion (RWI) program keeps river water from entering the combined sewer system. In 2023, the RWI program helped to eliminate approximately 223 million gallons of typical-year Combined Sewer Overflows (CSO). SD1 expects to eliminate another 388 million gallons of typical-year CSOs during Phase 2 of Clean H2O40.

The cost to implement the Clean H2O40 program has been reduced significantly from its original \$1.3 billion 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.

#### **Innovative Trenchless Technology Program Saves Money while Benefitting the Northern Kentucky Environment and Community**

SD1 launched an innovative trenchless technology known as partial pipe relining in 2023. This new approach not only significantly reduces costs compared to conventional methods, but also brings substantial environmental and community benefits.

Pipe relining is a modern solution for damaged sewer pipes that eliminates the need for costly excavation. With this approach, an epoxy-coated sleeve is inserted into a damaged sewer pipe from an above-ground manhole access lid. The sleeve is then inflated and left to cure, resulting in a sturdy new pipe within the old one. Like traditional repairs, the newly lined pipe reduces the likelihood of sewer backups and overflows.

This approach limits damage to the surrounding landscape and makes it possible for SD1 to complete repairs in just a few hours, compared to traditional repairs that require excavation over several days. Furthermore, trenchless technology significantly reduces or eliminates common construction disturbances such as excessive noise and dust from excavation equipment, thereby reducing the impact of sewer repairs on local residents and traffic patterns.

### *SD1 Turns to In-House 3D Printing to Create Significant Savings*

SD1 began printing its own equipment components this year to significantly reduce the cost of maintaining its assets.

One of the first applications of the new initiative was in sewer inspection camera components. Sewer inspection cameras play a critical role in maintaining Northern Kentucky's wastewater and stormwater systems. The specialized cameras work with crawler robots to collect visual data of what is going on inside sewers, allowing SD1 to identify problems and prioritize improvement projects across the region.

Increasing costs associated with repairing the equipment has been an ongoing challenge for SD1, which spends thousands annually maintaining these inspection cameras. To reduce the cost of camera repairs, SD1 has begun using 3D printing to manufacture replacement camera parts instead of ordering costly parts from vendors.

### ***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, 2022. This was the tenth 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, 2023 and 2022**

**Board of Directors**  
(As of June 30, 2023)

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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

Beth Germann  
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**

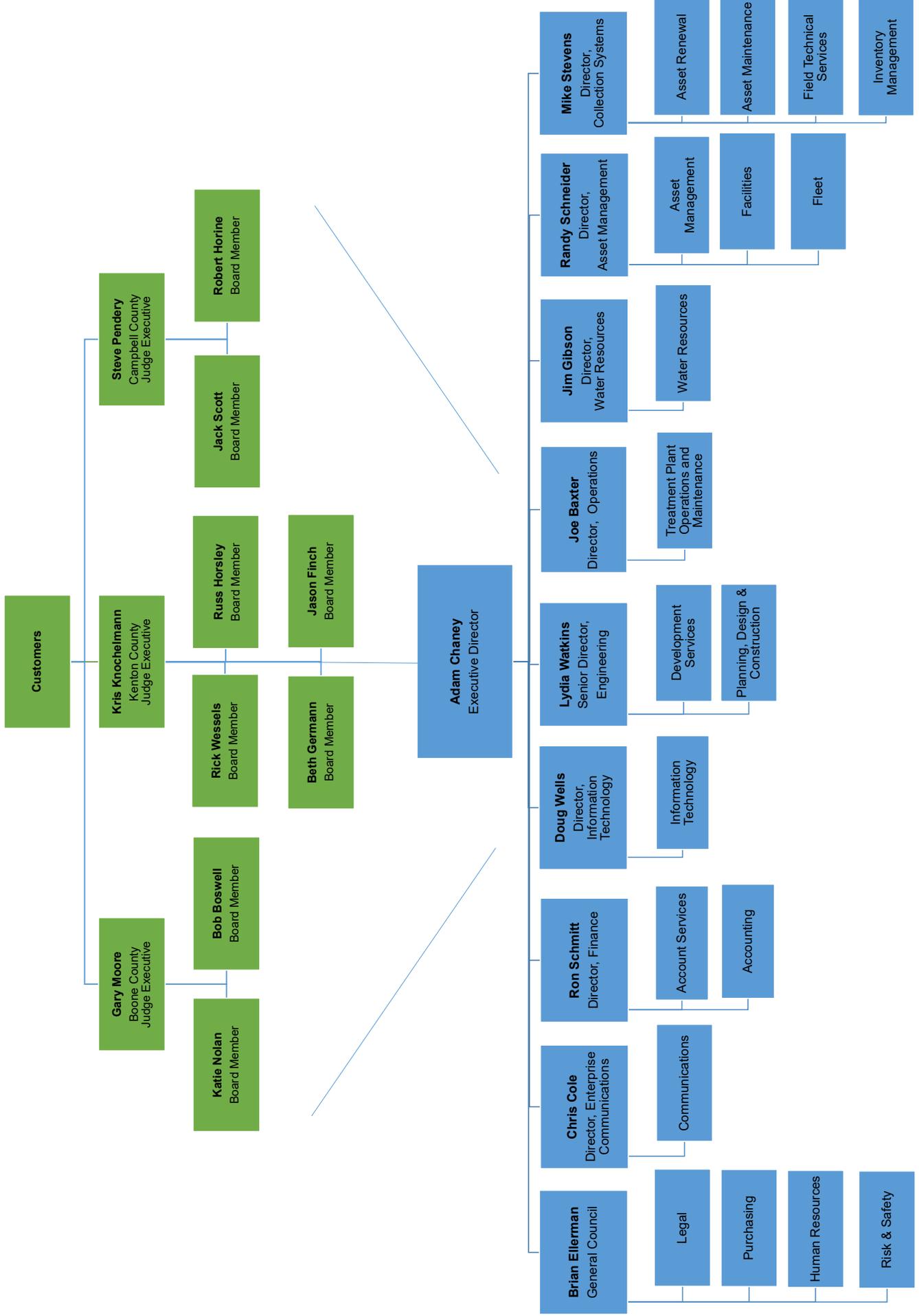
For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2022

*Christopher P. Morill*

Executive Director/CEO

**SANITATION DISTRICT NO. 1**  
**ORGANIZATION CHART**  
as of June 30, 2023



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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 years ended June 30, 2023 and 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, 2023 and 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 audits 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 accompanying Budgetary Comparison Schedule – Budget to Actual and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are 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 and the Schedule of Expenditures of Federal Awards are 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2023, 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  
December 19, 2023

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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, 2023 and 2022. 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.

### **2023 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 \$910.7 million (*net position*). Of this amount, \$140.2 million represents unrestricted net position.
- Net investment in capital assets increased \$42.4 million to \$670.6 million.
- Operating revenues increased \$6.6 million to \$125.6 million.
- Operation, maintenance and administration expenses increased \$653,000 to \$41.0 million.
- SD1's total outstanding debt decreased by \$24.1 million or 5.48%.

### **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%.

### **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 - 76 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 79-98 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 2023 compared to 2022 and 2021.

	<b>Table 1 Net Position</b>		
	<b>June 30,</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
<b>Assets</b>			
Current Assets	\$ 200,730,742	\$ 159,737,755	\$ 133,786,717
Restricted Assets	99,858,338	125,837,781	77,027,648
Receivables - Noncurrent	457,741	494,365	540,893
Capital Assets	<u>1,081,639,006</u>	<u>1,062,802,365</u>	<u>1,048,869,104</u>
Total Assets	<u>1,382,685,827</u>	<u>1,348,872,266</u>	<u>1,260,224,362</u>
<b>Deferred Outflows of Resources</b>	<u>13,155,298</u>	<u>15,019,544</u>	<u>18,665,375</u>
<b>Liabilities</b>			
Current Liabilities	41,744,158	42,354,633	37,783,481
Noncurrent Liabilities	<u>437,444,276</u>	<u>459,767,507</u>	<u>421,166,213</u>
Total Liabilities	<u>479,188,434</u>	<u>502,122,140</u>	<u>458,949,694</u>
<b>Deferred Inflows of Resources</b>	<u>5,868,826</u>	<u>9,925,052</u>	<u>2,721,464</u>
<b>Net Position</b>			
Net Investment in Capital Assets	670,667,360	628,222,347	664,340,118
Restricted	99,858,338	125,837,781	77,027,648
Unrestricted	<u>140,258,167</u>	<u>97,784,490</u>	<u>75,850,813</u>
<b>Total Net Position</b>	<b><u>\$ 910,783,865</u></b>	<b><u>\$ 851,844,618</u></b>	<b><u>\$ 817,218,579</u></b>

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

Total assets increased \$33.8 million in 2023 and \$88.6 million in 2022. Current assets increased \$40.9 million in 2023 and \$25.9 million in 2022 primarily due to an increase in unrestricted cash. Noncurrent assets decreased \$7.1 million in 2023 and increased \$62.6 million in 2022. The decrease in 2023 is primarily due to the spending of bond proceeds on capital projects while the increase in 2022 was due to the addition of new bond proceeds and an increase in on-going construction projects.

Total liabilities decreased \$22.9 million in 2023 and increased \$43.1 million in 2022. The majority of the decrease in 2023 was a result of normal debt service payments being made on prior year bonds and notes which was offset by a \$2.1 million increase in the pension and OPEB liabilities. 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 net pension liability and OPEB liability was a combined \$45.2 million in 2023 compared to \$43.0 million in 2022 which is determined each year based on the Kentucky Public Pensions Authority (KPPA) actuarial valuation calculations.

Deferred outflow of resources decreased \$1.8 million in 2023 and \$3.6 million in 2022. Deferred inflow of resources decreased \$4.0 million in 2023 and increased \$7.2 million in 2022. 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 \$58.9 million in 2023 and \$34.6 million in 2022. The largest portion of SD1's net position \$670.6 million or 73.6% in the current fiscal year reflects its investment in capital assets such as land, buildings, treatment facilities, and collection systems, less any related debt still outstanding used to acquire those assets. SD1 uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although SD1's investment in its capital assets is reported net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of SD1's net position is considered to be restricted. This amount represents resources that are subject to external restrictions on how they may be used. The restricted net position decreased 20.65% from 2022 and increased 29.64% since 2021. The change was primarily a result of issuing revenue bonds in 2022 for the purpose of financing capital related projects and spending down those proceeds in 2023. 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 43.44% at the end of 2023 and increased 28.92% at the end of 2022. 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 2023 compared to 2022 and 2021.

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

	<u>Years Ended June 30,</u>		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>Operating Revenues</b>			
Sewer service charges	\$ 106,289,349	\$ 99,677,308	\$ 91,179,985
Storm water charges	11,398,256	11,435,609	13,463,003
Permits and tap-in fees	4,996,098	5,236,913	5,901,118
Sludge hauling	427,678	686,607	805,838
Inspections	256,799	286,223	231,981
Penalties	1,880,575	1,264,687	619,727
Contractual services	190,054	162,126	163,467
Bad debt recoveries	23,810	31,796	11,320
Other revenues	169,822	159,880	376,285
	<u>125,632,441</u>	<u>118,941,149</u>	<u>112,752,724</u>
<b>Operating Expenses</b>			
Operation, maintenance and administration	41,094,971	40,441,814	39,847,390
Major repairs and other	634,743	987,956	881,199
Depreciation	41,627,822	40,858,594	40,739,661
	<u>83,357,536</u>	<u>82,288,364</u>	<u>81,468,250</u>
Net Operating Income	42,274,905	36,652,785	31,284,474
<b>Non-Operating Income (Expense)</b>			
Interest Income	8,136,428	1,394,925	1,441,419
Bad Debt - assessment loan receivable	-	-	(237,878)
Arbitrage rebate	-	15,322	(15,322)
Interest on long-term debt	(9,369,647)	(9,391,519)	(9,126,897)
Bond issuance cost	-	(1,323,639)	(676,043)
Federal credits on Build America Bonds	-	-	332,130
Families First Coronavirus Response Act Credits	-	(258,191)	108,184
Loss on disposal of capital assets	(241,892)	(262,369)	(12,227,104)
Net effect of change in pension expense	1,241,913	(186,622)	(3,546,735)
Net effect of change in OPEB expense	(695,705)	(119,263)	(778,153)
Net change, fair value of investments	(494,632)	(3,275,868)	(1,075,812)
	<u>(1,423,535)</u>	<u>(13,407,224)</u>	<u>(25,802,211)</u>
Change in Net Position			
Before Capital Contributions	40,851,370	23,245,561	5,482,263
Capital Contributions	<u>18,087,877</u>	<u>11,380,478</u>	<u>15,262,160</u>
Change in Net Position	58,939,247	34,626,039	20,744,423
<b>Net Position - Beginning of Year</b>	851,844,618	817,218,579	796,474,156
<b>Net Position - End of Year</b>	<u>\$ 910,783,865</u>	<u>\$ 851,844,618</u>	<u>\$ 817,218,579</u>

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

In 2023, SD1's total operating revenues experienced an increase of \$6.6 million or 5.63%. Sanitary sewer revenues increased \$6.6 million, which was a result of a 5% rate increase that became effective July 1, 2022. Permits and connection fees decreased \$240,000 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 \$615,000 due to more delinquent accounts because of reduced water district resources available for weekly and monthly water shutoffs the first part of the fiscal year. Sludge hauling decreased \$258,000 due to lower rainfall in the Northern Kentucky region and sludge haulers utilizing neighboring facilities which contributed to the reduction in the volume of sludge and leachate being disposed.

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 2023, operations, maintenance and administration expenses increased \$653,000 or 1.62%. The following contributed to the change in expenses:

- Salaries, wages, and benefits increased \$525,000 primarily due to merit and holiday increases and the filling of several open positions. The increase was offset by a \$704,000 credit in wages reallocated to capital projects due to improved utilization rates of internal engineering staff for the planning, designing and project management of an increasing number of construction projects.
- Insurance increased \$187,000 primarily due to an increase in general liability and property coverage values, an increase in workers' compensation insurance due to higher salary and wages, and an increase in deductible expenses due to two unexpected claims meeting the full maximum deductible per policy limits.
- Travel, Training & Certification increased \$52,000 primarily due to an increase in the tuition assistance program and certification renewals that occurs once every 5 years for crane operators to be in compliant with the Occupational Safety and Health Administration (OSHA).
- Chemicals increased \$739,000 due to a significant unit price increase of sodium hypochlorite that is primarily used at the Dry Creek Treatment Plant for odor and corrosion control as well as effluent disinfection which is a Kentucky Pollutant Discharge Elimination System (KPDES) permit requirement.
- Sludge and Grit removal decreased \$119,000 which was a result of each treatment facility continuing to optimize internal control processes specifically in their secondary treatment which ultimately led to an overall reduction in hauling. This was accomplished by utilizing storage tanks more effectively at the Western and Eastern treatment plants and Dry Creek treatment plant maximizing each outbound load which resulted in fewer overall loads being hauled.

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

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

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.
- 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.

Major repairs and other expenses decreased \$353,000 in 2023 and increased \$106,000 in 2022 due to more preliminary studies, evaluations, and conceptual design work on proposed capital projects occurring in 2022 than the current year.

Non-operating expenses decreased \$11.9 million in 2023, which was the net result of a \$6.7 million increase in interest income due to an increasing federal funds rate and higher cash balances; \$2.7 million net appreciation in fair value of investments; \$852,000 decrease in SD1's share of the net effect of change in pension and OPEB liabilities; and a \$1.3 million decrease in bond issuance cost due to the issuance of revenue and refunding bonds occurring in 2022.

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.

Capital contributions increased \$6.7 million in 2023 and decreased \$3.8 million in 2022. 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, 2023, was \$1.081 billion (net of accumulated depreciation). This represents a 1.77% increase from 2022. Capital assets increased \$35.9 million and accumulated depreciation increased \$17.1 million. Major sanitary capital assets added during the year included \$17.1 million for new and improved sewer lines and infrastructure; \$22.1 million for the construction of four new equalization storage tanks; \$1.5 million in pumping system improvements, telemetry upgrades, and equipment replacements; and \$6.9 million for river water intrusion improvements including the installation of flap gates and check valves on 19 CSO outfalls along the Ohio and Licking rivers. Major storm water capital assets added during the year included \$10.6 million in new storm water pipes and infrastructure. Software Model Development decreased \$21.5 million due to the removal of computer models that were fully depreciated and are no longer being used.

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.

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

	<u>June 30,</u>		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>Not Being Depreciated</b>			
Land	\$ 20,214,768	\$ 19,542,461	\$ 19,222,017
Construction in Progress	50,690,266	53,715,784	27,427,347
<b>Other Capital Assets</b>			
Land Improvements	6,505,272	4,961,377	4,922,743
Collection System	808,605,070	769,033,165	756,132,277
Pumping System	106,638,449	105,532,123	104,239,942
Treatment and Disposal	278,454,472	271,578,555	269,688,692
General Buildings and Structures	30,070,194	30,092,148	30,085,010
Office Furniture and Equipment	9,516,643	9,334,036	8,625,567
Vehicle and Accessories	8,626,757	8,512,914	8,600,516
Machinery and Equipment	6,167,115	6,110,582	6,151,602
Software Model Development	-	21,554,029	21,554,029
Storm Water Collection System	419,296,877	408,831,048	399,415,401
Subtotal	1,744,785,883	1,708,798,222	1,656,065,143
Less Accumulated Depreciation	663,146,877	645,995,857	607,196,039
<b>Totals</b>	<b>\$ 1,081,639,006</b>	<b>\$ 1,062,802,365</b>	<b>\$ 1,048,869,104</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 43 - 46 of this report.

**Debt Administration**

SD1 ended fiscal year 2023 with \$416.4 million in outstanding bonds and notes compared to \$440.6 million in 2022 and \$391.1 million in 2021. This represents a decrease of 5.48% in 2023 and a 6.49% increase 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 2022 in the amount of \$11.5 million to refinance an outstanding Kentucky Infrastructure Authority note payable to take advantage of favorable interest rates.

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

		<b>Table 4 Debt Summary</b>		
		<b>June 30,</b>		
		<b>2023</b>	<b>2022</b>	<b>2021</b>
Bond Indebtedness	\$	336,789,121	\$	285,025,950
Notes Payable		79,709,202	\$	106,097,555
		<b>\$ 416,498,323</b>	<b>\$</b>	<b>\$ 391,123,505</b>
			<b>\$</b>	<b>440,628,681</b>

Additional information on SD1's long-term debt can be found in the Long-Term Debt note to the financial statements on pages 47 - 52 of this report.

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

In June 2023, SD1's Board of Directors and the Judges Executive of Boone, Campbell and Kenton Counties approved the fiscal year 2024 Operating & Maintenance (O&M) and Capital Budgets. The 2024 O&M Budget was approved for \$46.1 million, which reflects a .25% decrease compared to the 2023 Budget.

The revenue budget continues its residential sanitary sewer rate structure and begins a similar structure for non-residential sewer rates both aimed at aligning sewer rates more closely with the actual fixed costs of providing service. In accordance with the plan, SD1 charges a residential 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 plan, as the residential base rate increases the variable rate is reduced. Similarly, SD1 charges a non-residential base rate for the first 2 hundred cubic feet (HCF) of water for monthly billed customers or for the first 6 hundred cubic feet (HCF) of water for quarterly billed customers. The projected impact is \$3.3 million over 2023 actual sewer service revenue. Capacity fee connection revenue is budgeted at \$4.5 million which is a \$55,000 decrease over 2023 actual revenue and was determined based on anticipated growth with sensitivity to developer plans and economic factors. The budget anticipates a \$413,000 decrease in storm water revenue primarily due to a 5% reduction in the stormwater management fee as a result of enhanced efficiencies and improved technologies while still addressing critical stormwater infrastructure needs across the region to combat flooding, erosion, and improvements to water quality.

In preparing the 2024 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 2024 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 \$539.0 million, of which \$490.1 million is estimated for sanitary projects, \$46.7 million for storm water projects, and \$2.2 million for capital asset purchases.

The 2024 capital budget approved spending plan calls for \$69.8 million, of which \$32.9 million is for sanitary and storm water asset management projects, \$19.6 million for Clean H2O40 projects, \$9.1 million for economic growth and community needs, \$4.1 million for storm water capital improvement projects, \$2.3 million for storm water cost share programs, \$50,000 for storm water planning development, and \$2.2 million for new capital asset purchases.

Funds needed for funding capital projects and programs will be provided from cash reserves, net revenues, remaining bond proceeds 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, 2023**

	<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	\$ 128,395,887	\$ 28,810,624	\$ 157,206,511
Investments	13,571,323	-	13,571,323
Accounts receivable			
Customers, net of allowance	8,312,416	1,605,315	9,917,731
Communities	21,303	-	21,303
KIA grant	3,786,970	-	3,786,970
Other	2,743,728	-	2,743,728
Accrued unbilled charges	10,932,865	1,398,634	12,331,499
Prepays and deposits	1,113,322	945	1,114,267
Accrued interest income	31,425	5,985	37,410
Total Current Assets	<u>168,909,239</u>	<u>31,821,503</u>	<u>200,730,742</u>
Noncurrent Assets			
Restricted Assets			
Cash and cash equivalents	1,042,783	1,492,183	2,534,966
Bond proceeds	16,598,745	-	16,598,745
Investments	78,694,533	1,741,408	80,435,941
Accrued interest	288,686	-	288,686
Total Restricted Assets	<u>96,624,747</u>	<u>3,233,591</u>	<u>99,858,338</u>
Receivables			
Assessments	<u>457,741</u>	<u>-</u>	<u>457,741</u>
Capital Assets			
Land	18,158,887	2,055,881	20,214,768
System, building, and equipment	1,254,266,790	419,614,059	1,673,880,849
Construction in progress	49,870,454	819,812	50,690,266
Less: accumulated depreciation	<u>(490,415,198)</u>	<u>(172,731,679)</u>	<u>(663,146,877)</u>
Total Capital Assets, Net	<u>831,880,933</u>	<u>249,758,073</u>	<u>1,081,639,006</u>
Total Noncurrent Assets	<u>928,963,421</u>	<u>252,991,664</u>	<u>1,181,955,085</u>
Total Assets	<u>1,097,872,660</u>	<u>284,813,167</u>	<u>1,382,685,827</u>
<b>Deferred Outflow of Resources</b>			
Deferred loss on refundings	5,526,677	-	5,526,677
Deferred outflows related to pensions	3,299,735	909,647	4,209,382
Deferred outflows related to OPEB	2,680,341	738,898	3,419,239
Total Deferred Outflow of Resources	<u>11,506,753</u>	<u>1,648,545</u>	<u>13,155,298</u>
<b>Total Assets and Deferred</b>			
<b>Outflow of Resources</b>	<u>\$ 1,109,379,413</u>	<u>\$ 286,461,712</u>	<u>\$ 1,395,841,125</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, 2023</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	\$ 17,447,994	\$ -	\$ 17,447,994
Notes payable	7,010,321	-	7,010,321
Accounts payable	10,195,476	201,080	10,396,556
Accrued payroll and benefits	380,893	89,999	470,892
Accrued interest payable	4,895,954	-	4,895,954
Accrued taxes and pension	7,449	-	7,449
Compensated absences	904,476	243,865	1,148,341
Sales tax payable	1,125	-	1,125
Other liabilities	365,526	-	365,526
Total Current Liabilities	<u>41,209,214</u>	<u>534,944</u>	<u>41,744,158</u>
Long-Term Liabilities (Net of Current Portion)			
Bonded indebtedness	319,341,126	-	319,341,126
Notes payable	72,698,881	-	72,698,881
Compensated absences	77,524	84,334	161,858
Net pension liability	27,859,579	7,680,131	35,539,710
Net OPEB liability	7,605,947	2,096,754	9,702,701
Total Long-Term Liabilities	<u>427,583,057</u>	<u>9,861,219</u>	<u>437,444,276</u>
Total Liabilities	<u>468,792,271</u>	<u>10,396,163</u>	<u>479,188,434</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflow related to pensions	1,312,507	361,823	1,674,330
Deferred inflow related to OPEB	3,288,065	906,431	4,194,496
Total Deferred Inflows of Resources	<u>4,600,572</u>	<u>1,268,254</u>	<u>5,868,826</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>473,392,843</u>	<u>11,664,417</u>	<u>485,057,260</u>
<b>Net Position</b>			
Net investment in capital assets	420,909,287	249,758,073	670,667,360
Restricted for:			
Debt service funds	43,916,657	-	43,916,657
Operations, infrastructure, and insurance	35,066,562	1,741,408	36,807,970
Capital improvement project and programs	16,598,745	-	16,598,745
Other purposes	1,042,783	1,492,183.00	2,534,966
Unrestricted	118,452,536	21,805,631	140,258,167
<b>Total Net Position</b>	<u>635,986,570</u>	<u>274,797,295</u>	<u>910,783,865</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 1,109,379,413</u>	<u>\$ 286,461,712</u>	<u>\$ 1,395,841,125</u>

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

**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 Outflow of Resources</b>	<u><u>\$ 1,077,266,640</u></u>	<u><u>\$ 286,625,170</u></u>	<u><u>\$ 1,363,891,810</u></u>

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

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

	<i>(Reclassified)</i> <b>Sanitation</b>	<i>(Reclassified)</i> <b>Stormwater</b>	<b>Total</b>
<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	816,035	215,018	1,031,053
Sales tax payable	104	-	104
Other liabilities	146,429	-	146,429
<b>Total Current Liabilities</b>	<b>41,062,381</b>	<b>1,292,252</b>	<b>42,354,633</b>
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	100,980	93,552	194,532
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>	<b>450,442,974</b>	<b>9,324,533</b>	<b>459,767,507</b>
<b>Total Liabilities</b>	<b>491,505,355</b>	<b>10,616,785</b>	<b>502,122,140</b>
<b>Deferred Inflows of Resources</b>			
Deferred inflow related to pensions	3,957,880	1,079,526	5,037,406
Deferred inflow related to OPEB	3,840,214	1,047,432	4,887,646
<b>Total Deferred Inflows of Resources</b>	<b>7,798,094</b>	<b>2,126,958</b>	<b>9,925,052</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>499,303,449</b>	<b>12,743,743</b>	<b>512,047,192</b>
<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>	<b>577,963,191</b>	<b>273,881,427</b>	<b>851,844,618</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 1,077,266,640</b>	<b>\$ 286,625,170</b>	<b>\$ 1,363,891,810</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, 2023</b>
---

	<u>Sanitation</u>	<u>Stormwater</u>	<u>Total</u>
<b>Operating Revenues</b>			
Sewer service charges	\$ 106,289,349	\$ -	\$ 106,289,349
Storm water charges	-	11,398,256	11,398,256
Permits and tap-in fees	4,897,284	98,814	4,996,098
Sludge hauling	427,678	-	427,678
Inspections	105,343	151,456	256,799
Penalties and fines	1,652,291	228,284	1,880,575
Contractual services	190,054	-	190,054
Bad debt recoveries	23,810	-	23,810
Other revenues	165,220	4,602	169,822
<b>Total Operating Revenues</b>	<u>113,751,029</u>	<u>11,881,412</u>	<u>125,632,441</u>
<b>Operating Expenses</b>			
Operation, maintenance and administration	35,461,420	5,633,551	41,094,971
Major repairs and other	533,270	101,473	634,743
Depreciation	27,440,229	14,187,593	41,627,822
<b>Total Operating Expenses</b>	<u>63,434,919</u>	<u>19,922,617</u>	<u>83,357,536</u>
<b>Operating Income (Expense)</b>	<u>50,316,110</u>	<u>(8,041,205)</u>	<u>42,274,905</u>
<b>Non-Operating Income</b>			
Interest income	7,037,715	1,098,713	8,136,428
Interest on long-term debt	(9,369,647)	-	(9,369,647)
Gain/(Loss) on disposal of capital assets	(199,173)	(42,719)	(241,892)
Net effect of change in pension expense	1,035,114	206,799	1,241,913
Net effect of change in OPEB expense	(527,773)	(167,932)	(695,705)
Net change, fair value of investments	(505,330)	10,698	(494,632)
<b>Total Non-Operating Income (Expense)</b>	<u>(2,529,094)</u>	<u>1,105,559</u>	<u>(1,423,535)</u>
<b>Change in Net Position Before Capital Contributions</b>	47,787,016	(6,935,646)	40,851,370
Capital Contributions	10,530,245	7,557,632	18,087,877
Transfers In (Out)	(293,882)	293,882	-
<b>Change in Net Position</b>	58,023,379	915,868	58,939,247
<b>Net Position, Beginning of Year</b>	<u>577,963,191</u>	<u>273,881,427</u>	<u>851,844,618</u>
<b>Net Position, End of Year</b>	<u>\$ 635,986,570</u>	<u>\$ 274,797,295</u>	<u>\$ 910,783,865</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>
---

	<u>Sanitation</u>	<u>Stormwater</u>	<u>Total</u>
<b>Operating Revenues</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>	<u>107,081,221</u>	<u>11,859,928</u>	<u>118,941,149</u>
<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>	<u>62,344,668</u>	<u>19,943,696</u>	<u>82,288,364</u>
<b>Operating Income (Expense)</b>	<u>44,736,553</u>	<u>(8,083,768)</u>	<u>36,652,785</u>
<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>	<u>(12,462,761)</u>	<u>(944,463)</u>	<u>(13,407,224)</u>
<b>Change in Net Position Before Capital Contributions</b>	32,273,792	(9,028,231)	23,245,561
Capital Contributions	5,407,779	5,972,699	11,380,478
Transfers In (Out)	-	-	-
<b>Change in Net Position</b>	37,681,571	(3,055,532)	34,626,039
<b>Net Position, Beginning of Year</b>	<u>540,281,620</u>	<u>276,936,959</u>	<u>817,218,579</u>
<b>Net Position, End of Year</b>	<u>\$ 577,963,191</u>	<u>\$ 273,881,427</u>	<u>\$ 851,844,618</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, 2023**

	<b>Sanitation</b>	<b>Stormwater</b>	<b>Total</b>
<b>Cash Flows from Operating Activities</b>			
Received from customers	\$ 108,172,173	\$ 12,146,540	\$ 120,318,713
Paid to suppliers for goods and services	(19,177,076)	(2,035,492)	(21,212,568)
Paid to or on behalf of employees for services	(16,679,987)	(4,465,598)	(21,145,585)
<b>Change in Net Cash from Operating Activities</b>	<b>72,315,110</b>	<b>5,645,450</b>	<b>77,960,560</b>
<b>Cash Flows from Investing Activities</b>			
Investment income	6,839,843	1,095,901	7,935,744
Proceeds from sale of investments	34,255,892	164,272	34,420,164
Purchase of investments	(37,102,711)	(193,950)	(37,296,661)
<b>Change in Net Cash from Investing Activities</b>	<b>3,993,024</b>	<b>1,066,223</b>	<b>5,059,247</b>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Cash received from sale of asset	259,000	-	259,000
Payments made on long term debt	(19,986,485)	-	(19,986,485)
Interest paid	(13,273,803)	-	(13,273,803)
Acquisition and construction of capital assets	(40,417,039)	(2,460,440)	(42,877,479)
Principal received on assessments	36,624	-	36,624
Assessment interest income	29,560	-	29,560
<b>Change in Net Cash from Capital and Related Financing Activities</b>	<b>(73,352,143)</b>	<b>(2,460,440)</b>	<b>(75,812,583)</b>
<b>Increase in Cash and Cash Equivalents</b>	<b>2,955,991</b>	<b>4,251,233</b>	<b>7,207,224</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>143,081,424</b>	<b>26,051,574</b>	<b>169,132,998</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 146,037,415</b>	<b>\$ 30,302,807</b>	<b>\$ 176,340,222</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>			
Operating income (loss)	\$ 50,316,110	\$ (8,041,205)	\$ 42,274,905
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation	27,440,229	14,187,593	41,627,822
Change in operating assets and liabilities			
Decrease (Increase) in receivables	(754,939)	201,462	(553,477)
Decrease (Increase) in accrued unbilled charges	(788,365)	63,666	(724,699)
Decrease (Increase) in communities receivable	(2,466)	-	(2,466)
Decrease (Increase) in other receivables	(4,033,086)	-	(4,033,086)
Decrease (Increase) in prepaid assets	59,938	460	60,398
Increase (Decrease) in accounts payable	(151,501)	(766,275)	(917,776)
Increase (Decrease) in accrued payroll and benefits	(60,093)	(19,880)	(79,973)
Increase (Decrease) in accrued taxes and pension	4,180	-	4,180
Increase (Decrease) in sales taxes	1,021	-	1,021
Increase (Decrease) in compensated absences payable	64,985	19,629	84,614
Increase (Decrease) in other liabilities	219,097	-	219,097
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 72,315,110</b>	<b>\$ 5,645,450</b>	<b>\$ 77,960,560</b>

<b>SANITATION DISTRICT NO. 1</b> <b>STATEMENT OF CASH FLOWS (Continued)</b> <b>For the Year Ended June 30, 2023</b>
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**Supplemental Schedule of Noncash Capital and Related Financing**

Change in fair value of investments	<u>\$ (505,330)</u>	<u>\$ 10,698</u>	<u>\$ (494,632)</u>
Investment fees	<u>\$ (55,004)</u>	<u>\$ (1,700)</u>	<u>\$ (56,704)</u>
Contributions of capital assets	<u>\$ 10,530,245</u>	<u>\$ 7,557,632</u>	<u>\$ 18,087,877</u>
Net effect of change in pension expense	<u>\$ 1,035,114</u>	<u>\$ 206,799</u>	<u>\$ 1,241,913</u>
Net effect of change in OPEB expense	<u>\$ (527,773)</u>	<u>\$ (167,932)</u>	<u>\$ (695,705)</u>
Amortization expense	<u>\$ (3,621,888)</u>	<u>\$ -</u>	<u>\$ (3,621,888)</u>

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

Cash and Cash Equivalents - Current	<u>\$ 128,395,887</u>	<u>\$ 28,810,624</u>	<u>\$ 157,206,511</u>
Cash and Cash Equivalents - Restricted	<u>17,641,528</u>	<u>1,492,183</u>	<u>19,133,711</u>
Cash and Cash Equivalents, June 30, 2023	<u>\$ 146,037,415</u>	<u>\$ 30,302,807</u>	<u>\$ 176,340,222</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>Change in Net Cash from 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>Change in Net Cash from 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>Change in Net Cash from 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>Change in Net Cash from 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>
---

**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	\$ 143,081,424	\$ 26,051,574	\$ 169,132,998

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, 2023 and 2022</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 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, 2023 and 2022</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, 2023 and 2022</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 \$12,331,499 and \$11,606,800 as of June 30, 2023 and 2022, 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, 2023 and 2022 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.

**SANITATION DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2023 and 2022**

**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, 2023 and 2022</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, 2023 and 2022 were \$1,310,199 and \$1,225,585, 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 \$0 at June 30, 2023 and 2022, 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, 2023 and 2022</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***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.

*Compensated Absences*

GASB Statement No. 101, Compensated Absences. The requirements of this Statement must take effect for financial statements starting with the fiscal year that ends June 30, 2024; however, SD1 has chosen to early adopt these requirements, as is encouraged in the standard, beginning with the fiscal year ended June 30, 2023.

**Recently Issued Significant Accounting Standards***Omnibus 2022*

GASB Statement No. 99, Omnibus 2022. The requirement related to leases, public-private partnerships, and subscription-based information technology arrangements will take effect for financial statements starting with the fiscal year that ends June 30, 2023. The requirement related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 will take effect for financial statements starting with the fiscal year that ends June 30, 2024. The District is currently evaluating the impact GASB Statement No. 99 may have on its financial statements.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2023 and 2022</b>
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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*

GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2024. SD1 is currently evaluating the impact GASB Statement No. 100 may have on its financial statements.

**NOTE 2 – DEPOSITS AND INVESTMENTS****Investment Policy***General Policy*

It is the policy of SD1 to invest public funds in a manner that will provide the highest investment return with the maximum security of principal while meeting the daily cash flow demands of SD1 and conforming to all state statutes and SD1 regulations governing the investments of public funds.

*Authorized Investment Instruments*

1. Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, provided that delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian.
2. Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency.
3. Obligations of any corporation of the United States government agency.
4. Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations permitted by Section 41.240(4) of the Kentucky Revised Statutes.

**Deposits and Investments**

*Custodial Credit Risk – Deposits.* For deposits, this is the risk that, in the event of the failure of a depository financial institution, SD1 will not be able to record its deposits. SD1 maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). SD1 follows state statutes which require pledged collateral with a fair value equal to 100% of the funds on deposit, less insured amounts. As of both June 30, 2023 and 2022, 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, 2023 and 2022 of \$94,007,265 and \$91,625,397, 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.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2023 and 2022</b>
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**NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)**

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

**NOTE 3 – RESTRICTED ASSETS**

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

The following schedule details the restricted assets as of June 30, 2023 and 2022:

	Years Ended June 30,	
	2023	2022
Pursuant to Trust Indenture		
Principal and Interest Accounts	\$ 17,727,440	\$ 16,926,428
Debt Service Reserve	26,123,476	25,211,914
Operation and Maintenance Fund	11,047,400	10,355,021
Improvement, Repair, and Replacement	18,860,277	18,609,326
Self Insurance Fund	6,966,035	6,893,842
Bond Proceeds	16,598,745	46,304,227
Subtotal	97,323,373	124,300,758
Pursuant to Other Uses		
Agreed Order Settlement	2,534,966	1,537,023
Total Restricted Assets	<u>\$ 99,858,339</u>	<u>\$ 125,837,781</u>

**NOTE 4 – FAIR VALUE MEASUREMENT**

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

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

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2023 and 2022</b>
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**NOTE 4 – FAIR VALUE MEASUREMENT (Continued)**

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

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

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Restricted assets are classified in Level 2 and are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor.

The following table sets forth by level, within the fair value hierarchy, SD1's assets at fair value at June 30, 2023:

	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	\$ -	\$ 23,578,675	\$ -	\$ 23,578,675
Treasury Bonds	-	29,345,820	-	29,345,820
Agency Bonds	-	27,511,447	-	27,511,447
Intermediate US Gov. Funds	-	13,571,323	-	13,571,323
<b>Total Investments at Fair Value</b>	<b>\$ -</b>	<b>\$ 94,007,265</b>	<b>\$ -</b>	<b>\$ 94,007,265</b>

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>

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2023 and 2022</b>
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**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for SD1 for the year ended June 30, 2023, was as follows:

Sanitation Fund	Balance at June 30, 2022	Additions	Deletions/ Transfers	Balance at June 30, 2023
Capital Assets Not Being Depreciated				
Land	\$ 17,709,851	\$ 449,036	\$ -	\$ 18,158,887
Construction in progress	52,314,366	42,759,710	(45,203,622)	49,870,454
Total Capital Assets Not Being Depreciated	70,024,217	43,208,746	(45,203,622)	68,029,341
Depreciable Capital Assets				
Land improvements	4,961,377	1,543,895	-	6,505,272
Collection system	769,033,165	39,773,540	(201,635)	808,605,070
Pumping system	105,532,123	1,670,555	(564,229)	106,638,449
Treatment and disposal	271,578,555	7,854,730	(978,813)	278,454,472
Buildings and structures	30,092,148	16,705	(38,659)	30,070,194
Office furniture and equipment	9,334,036	230,678	(48,071)	9,516,643
Vehicles and accessories	8,343,619	1,061,511	(947,668)	8,457,462
Machinery and equipment	5,968,755	496,664	(446,191)	6,019,228
Software model development	15,908,869	-	(15,908,869)	-
Total Depreciable Capital Assets	1,220,752,647	52,648,278	(19,134,135)	1,254,266,790
Total Capital Assets at Historical Cost	1,290,776,864	95,857,024	(64,337,757)	1,322,296,131
Less Accumulated Depreciation				
Land improvements	(2,257,304)	(181,443)	-	(2,438,747)
Collection system	(250,062,841)	(15,908,795)	201,204	(265,770,432)
Pumping system	(65,483,919)	(3,794,773)	564,229	(68,714,463)
Treatment and disposal	(109,786,624)	(6,126,157)	549,968	(115,362,813)
Buildings and structures	(17,969,489)	(438,710)	26,813	(18,381,386)
Office furniture and equipment	(7,354,678)	(534,040)	48,071	(7,840,647)
Vehicles and accessories	(7,814,880)	(172,159)	944,754	(7,042,285)
Machinery and equipment	(5,012,327)	(284,152)	432,054	(4,864,425)
Software model development	(15,908,869)	-	15,908,869	-
Total Accumulated Depreciation	(481,650,931)	(27,440,229)	18,675,962	(490,415,198)
Depreciable Capital Assets, Net	739,101,716	25,208,049	(458,173)	763,851,592
Sanitation Fund Capital Assets, Net	\$ 809,125,933	\$ 68,416,795	\$ (45,661,795)	\$ 831,880,933

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2023 and 2022</b>
---

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

Storm Water Fund	Balance at June 30, 2022	Additions	Deletions/ Transfers	Balance at June 30, 2023
Capital Assets Not				
Being Depreciated				
Land	\$ 1,832,610	\$ 223,271	\$ -	\$ 2,055,881
Construction in progress	1,401,418	2,574,320	(3,155,926)	819,812
Total Capital Assets Not				
Being Depreciated	<u>3,234,028</u>	<u>2,797,591</u>	<u>(3,155,926)</u>	<u>2,875,693</u>
Depreciable Capital Assets				
Vehicles and accessories	169,295	-	-	169,295
Machinery and equipment	141,827	6,060	-	147,887
Storm water collection system	408,831,048	10,664,230	(198,401)	419,296,877
Software model development	5,645,160	-	(5,645,160)	-
Total Depreciable				
Capital Assets	<u>414,787,330</u>	<u>10,670,290</u>	<u>(5,843,561)</u>	<u>419,614,059</u>
Total Capital Assets at				
Historical Cost	<u>418,021,358</u>	<u>13,467,881</u>	<u>(8,999,487)</u>	<u>422,489,752</u>
Less Accumulated Depreciation				
Vehicles and accessories	(159,958)	(3,724)	-	(163,682)
Machinery and equipment	(112,428)	(11,604)	-	(124,032)
Storm water collection system	(158,427,380)	(14,172,265)	155,680	(172,443,965)
Software model development	(5,645,160)	-	5,645,160	-
Total Accumulated				
Depreciation	<u>(164,344,926)</u>	<u>(14,187,593)</u>	<u>5,800,840</u>	<u>(172,731,679)</u>
Depreciable Capital				
Assets, Net	<u>250,442,404</u>	<u>(3,517,303)</u>	<u>(42,721)</u>	<u>246,882,380</u>
Storm Water Fund Capital				
Assets, Net	<u>\$ 253,676,432</u>	<u>\$ (719,712)</u>	<u>\$ (3,198,647)</u>	<u>\$ 249,758,073</u>

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2023 and 2022</b>
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**NOTE 5 – CAPITAL ASSETS (Continued)**

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, 2023 and 2022</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>

**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 \$457,741 and \$494,365 as of June 30, 2023 and 2022, respectively.

**NOTE 7 – ARBITRAGE**

The Tax Reform Act of 1986 (Act) substantially revised the treatment to be afforded to earnings on the proceeds of tax-exempt debt and requires SD1 to calculate and remit rebatable arbitrage earnings to the Internal Revenue Service. Certain of SD1's debt and interest earned on the proceeds thereof are subject to the requirements of the Act. SD1 has accrued a liability for estimated rebatable arbitrage earnings and has set aside such earnings as restricted cash. At June 30, 2023 and 2022, the arbitrage rebate liability was \$0 and \$0, respectively.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2023 and 2022</b>
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**NOTE 7 – ARBITRAGE (Continued)**

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 2023 or 2022. 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.

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.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2023 and 2022</b>
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**NOTE 8 – LONG-TERM DEBT (Continued)**Turkeyfoot/Industrial Road Loan A09-08

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

Narrows Road Diversion Loan A09-09

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

Dry Creek Head Works/Hydraulics Loan A10-11

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

Lakeview, Kentucky Aire, Church Street Loan A11-13

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

Lakeside Park, Vernon Lane Loan A11-14

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

Wolpert Force Main Loan A12-02

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

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

During the year ended June 30, 2015, SD1 partnered with the Kentucky Infrastructure Authority to fund construction of the Patton and 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.

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):

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2023 and 2022</b>
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**NOTE 8 – LONG-TERM DEBT (Continued)**

Year ending June 30,	Principal	Interest & Fees	Total
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	7,332,364	991,031	8,323,395
2028	7,443,328	865,347	8,308,675
2029-2033	37,474,919	2,390,565	39,865,484
2034-2038	5,543,838	349,502	5,893,340
2039	565,311	7,544	572,855
Totals	<u>\$ 79,709,202</u>	<u>\$ 8,310,878</u>	<u>\$ 88,020,080</u>

**Bonds**

Refunding Revenue Bonds, Series 2016

In November 2016, bonds in the total amount of \$124,990,000 were issued under authority of applicable Kentucky Revised Statutes and in accordance with authorized bond resolutions duly passed and adopted by the Board of Directors of SD1.

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

Refunding Revenue Bonds, Series 2019

In September 2019, bonds in the total amount of \$99,490,000 were issued under authority of applicable Kentucky Revised Statutes and in accordance with authorized bond resolutions duly passed and adopted by the Board of Directors of SD1.

The proceeds for the sale of the Series 2019 Bonds were used to defease \$42,850,000 of the 2009A Bonds, \$59,400,000 of the 2010A Bonds, \$5,650,000 of the 2010C Bonds, and to pay the necessary costs and expenses incident to the issuance and delivery of the Series 2019 Bonds.

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

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, 2023 and 2022</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,	
			2023	2022
Series 2016	\$ 124,990,000	3.00 - 5.00 %	\$ 95,425,000	\$ 99,955,000
Series 2019	99,490,000	2.25 - 5.00 %	85,690,000	90,515,000
Series 2020	61,535,000	2.00 - 5.00 %	58,145,000	59,880,000
Series 2021A	70,000,000	2.00 - 5.00 %	69,580,000	70,000,000
Series 2021B	11,525,000	5.00%	9,070,000	10,640,000
Plus: Unamortized Bond Premium			18,879,121	23,022,995
			<u>\$ 336,789,121</u>	<u>\$ 354,012,995</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, 2023 for debt service (principal and interest) are as follows:

Year ending June 30,	Principal	Interest	Total
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	16,590,000	8,089,669	24,679,669
2029-2033	89,185,000	28,891,819	118,076,819
2034-2038	86,965,000	14,316,094	101,281,094
2039-2043	36,235,000	5,117,416	41,352,416
2044-2048	15,625,000	2,673,544	18,298,544
2049-2052	13,935,000	707,562	14,642,562
Totals	<u>\$ 317,910,000</u>	<u>\$ 99,936,655</u>	<u>\$ 417,846,655</u>

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2023 and 2022</b>
---

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

Changes in long-term liabilities for the year ended June 30, 2023 are as follows:

	Debt			Amounts	
	Outstanding	Additions	Retirements	Outstanding	Due Within
	June 30, 2022			June 30, 2023	1 Year
<b>Bond Indebtedness</b>					
Series 2016 REF	\$ 99,955,000	\$ -	\$ (4,530,000)	\$ 95,425,000	\$ 4,760,000
Series 2016 Bond Premium	6,949,673	-	(1,251,449)	5,698,224	1,118,665
Series 2019 REF	90,515,000	-	(4,825,000)	85,690,000	5,070,000
Series 2019 Bond Premium	7,266,846	-	(1,295,969)	5,970,877	1,120,833
Series 2020 REF	59,880,000	-	(1,735,000)	58,145,000	1,825,000
Series 2020 Bond Premium	5,892,642	-	(1,095,758)	4,796,884	1,016,900
Series 2021A Revenue	70,000,000	-	(420,000)	69,580,000	445,000
Series 2021A Bond Premium	1,480,002	-	(85,905)	1,394,097	84,873
Series 2021B REF	10,640,000	-	(1,570,000)	9,070,000	1,650,000
Series 2021B Bond Premium	1,433,832	-	(414,793)	1,019,039	356,723
<b>Total Bond Indebtedness</b>	<b>\$ 354,012,995</b>	<b>\$ -</b>	<b>\$ (17,223,874)</b>	<b>\$ 336,789,121</b>	<b>\$ 17,447,994</b>
<b>Notes Payable-Direct Borrowings</b>					
KIA Loan A08-04	\$ 39,878,324	\$ -	\$ (3,447,208)	\$ 36,431,116	\$ 3,481,767
KIA Loan A09-04	2,583,618	-	(249,536)	2,334,082	254,552
KIA Loan A09-05	2,587,803	-	(282,222)	2,305,581	287,895
KIA Loan A09-06	7,625,472	-	(626,326)	6,999,146	638,915
KIA Loan A09-07	2,714,621	-	(234,792)	2,479,829	239,512
KIA Loan A09-08	1,286,960	-	(105,706)	1,181,254	107,831
KIA Loan A09-09	4,831,538	-	(396,844)	4,434,694	404,820
KIA Loan A10-11	10,345,026	-	(770,887)	9,574,139	786,382
KIA Loan A11-13	9,203,613	-	(475,939)	8,727,674	485,505
KIA Loan A11-14	3,492,356	-	(174,368)	3,317,988	177,872
KIA Loan A12-02	489,222	-	(42,314)	446,908	43,164
KIA Loan A15-103	1,577,133	-	(100,342)	1,476,791	102,106
<b>Total Notes Payable</b>					
- Direct Borrowings	86,615,686	-	(6,906,484)	79,709,202	7,010,321
<b>Compensated Absences</b>	<b>1,225,585</b>	<b>84,614</b>		<b>1,310,199</b>	<b>367,742</b>
<b>Net Pension Liability</b>	<b>33,129,277</b>	<b>-</b>	<b>2,410,433</b>	<b>35,539,710</b>	<b>-</b>
<b>Net OPEB Liability</b>	<b>9,945,376</b>	<b>(242,675)</b>	<b>-</b>	<b>9,702,701</b>	<b>-</b>
<b>Total Long-Term Liabilities</b>	<b>\$ 484,928,919</b>	<b>\$ (158,061)</b>	<b>\$ (21,719,925)</b>	<b>\$ 463,050,933</b>	<b>\$ 24,826,057</b>

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2023 and 2022</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	(Reclassified)	(Reclassified)	Outstanding	Due Within	
	June 30, 2021	Additions	Retirements	June 30, 2022	1 Year	
<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	
<b>Compensated Absences</b>	<b>1,062,137</b>	<b>163,448</b>	<b>-</b>	<b>1,225,585</b>	<b>329,147</b>	
<b>Arbitrage Liability</b>	<b>15,322</b>	<b>-</b>	<b>(15,322)</b>	<b>-</b>	<b>-</b>	
<b>Net Pension Liability</b>	<b>40,366,467</b>	<b>-</b>	<b>(7,237,190)</b>	<b>33,129,277</b>	<b>-</b>	
<b>Net OPEB Liability</b>	<b>12,705,864</b>	<b>-</b>	<b>(2,760,488)</b>	<b>9,945,376</b>	<b>-</b>	
<b>Total Long-Term Liabilities</b>	<b>\$ 445,273,295</b>	<b>\$ 84,697,529</b>	<b>\$ (45,041,905)</b>	<b>\$ 484,928,919</b>	<b>\$ 24,459,506</b>	

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2023 and 2022</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, 2022:

	Non-Hazardous	
	Pension	OPEB
Active Plan Members	77,367	76,946
Inactive Plan Members	100,738	28,719
Retired Members	67,206	37,584
	<u>245,311</u>	<u>143,249</u>
Number of participating employers		<u>1,101</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, 2023 and 2022**

**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>2022</b>	6.24%	4.00%	2.24%	1.68%	5.68%	\$ 19,197,000
<b>2021</b>	10.35%	4.00%	6.35%	4.76%	8.76%	\$ 21,116,000

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, 2023 and 2022</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, 2023, participating employers contributed 26.79% (23.40% pension fund and 3.39% insurance fund) of each employee's creditable compensation. 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. 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 \$3,231,138 and \$2,857,776 for the years ended June 30, 2023 and 2022, respectively.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2023 and 2022</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, 2023 Financial Statements**

At June 30, 2023, SD1 reported a liability of \$35,539,710 as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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 the 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, 2022 measurement year, the SD1's non-hazardous employer allocation proportion was 0.4916% of the total CERS non-hazardous duty employees. For the year ended June 30, 2023, SD1 recognized a pension benefit of \$1,241,913 in addition to its \$3,231,138 pension contribution.

At June 30, 2023, 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	\$ 37,996	\$ (316,496)
Net difference between projected actual earnings on plan investments	911,109	-
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	29,139	(1,357,834)
Contributions subsequent to the measurement date	3,231,138	-
	\$ 4,209,382	\$ (1,674,330)

The SD1's contributions subsequent to the measurement date of \$3,231,138 will be recognized as a reduction of the net pension liability in the year ending June 30, 2024.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2023 and 2022</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:

Measurement Year Ending June 30,	Net Deferral
2023	\$ (809,568)
2024	(597,467)
2025	(298,655)
2026	1,009,604
2027	-
Thereafter	-
	<u>\$ (696,086)</u>

**Actuarial Methods and Assumptions for Determining the Net Pension Liability**

For financial reporting, the actuarial valuation as of June 30, 2022, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2022 were based on an actuarial valuation date of June 30, 2021. The total pension liability was rolled forward from the valuation date (June 30, 2021) to the plan’s fiscal year ending date of June 30, 2022, using generally accepted actuarial principles.

There have been no actuarial assumption or method changes since June 30, 2021. Additionally, there have been no plan provision changes that would materially impact the total pension liability since June 30, 2012.

House Bill 1 passed during the 2022 legislative session and included a provision that provided an approximate 8% across-the-board salary increase for KERS members effective July 1, 2022, for eligible State employees. While this salary increase may produce an actuarial loss with respect to the liability attributable to Tier 1 and Tier 2 active members (i.e., a higher total pension liability than expected based on current actuarial assumptions), there was not sufficient information available at the time the roll forward Total Pension Liability was calculated to make a reasonable adjustment to reflect these anticipated salary increases. It is GRS’s opinion that these procedures for determining the information contained in this report are reasonable, appropriate, and comply with applicable requirements under GASB No. 68.

The actuarial assumptions for CERS Non-Hazardous and CERS Hazardous plans are as follows:

Valuation Date	June 30, 2020
Experience Study	July 1, 2013 to June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 years closed period at June 30, 2019; gains and losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.0%

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2023 and 2022</b>
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**NOTE 9 – PENSION PLAN (Continued)**

Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service for Non-Hazardous 3.55% to 19.05% varies by service for Hazardous
Investment Rate of Return	6.25%
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-Hazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected 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 2019. 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.

**Changes of Assumptions**

There have been no changes in actuarial assumptions since June 30, 2021.

**Discount Rate**

The projection of cash flows used to determine the discount rate of 6.25% for CERS Non-hazardous and CERS Hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute, as amended by House Bill 362, (passed in 2018) over the remaining 29 years (closed) amortization period of the unfunded actuarial accrued liability.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2023 and 2022</b>
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**NOTE 9 – PENSION PLAN (Continued)**

**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 Non-Hazardous Target Allocation	Long Term Expected Nominal Return
Public equity	50.00%	4.45%
Private equity	10.00%	10.15%
Core bonds	10.00%	0.28%
Specialty credit / high yield	10.00%	2.28%
Cash	0.00%	-0.91%
Real estate	7.00%	3.67%
Real return	13.00%	4.07%
Expected Real Return	100.00%	4.28%
Long-Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		6.58%

**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:

	Proportionate Share of Net Pension Liability		
	1% Decrease 5.25%	Current Rate 6.25%	1% Increase 7.25%
	Non-hazardous	\$ 44,420,228	\$ 35,539,710
Total	\$ 44,420,228	\$ 35,539,710	\$ 28,194,785

**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.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2023 and 2022</b>
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**NOTE 9 – PENSION PLAN (Continued)**

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.

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	-
	\$ (3,975,069)

**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.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2023 and 2022</b>
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**NOTE 9 – PENSION PLAN (Continued)**

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. 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.

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.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2023 and 2022</b>
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**NOTE 9 – PENSION PLAN (Continued)**

**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:

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

**Plan Fiduciary Net Position**

Both the Pension Plan and the Health Insurance Plan issue publicly available financial reports that include financial statements and required supplementary information, and detailed information about each Plan’s fiduciary net position. These reports may be obtained, in writing, from the Kentucky Public Pension Authority, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601 or online at [www.kyret.ky.gov](http://www.kyret.ky.gov).

<p><b>SANITATION DISTRICT NO. 1</b>  <b>NOTES TO FINANCIAL STATEMENTS</b>  <b>For the Years Ended June 30, 2023 and 2022</b></p>
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**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.

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%

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2023 and 2022</b>
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**NOTE 10 – OPEB PLAN (Continued)**

*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, 2023, participating employers contributed 26.79% (23.40% pension fund and 3.39% insurance fund) of each employee's creditable compensation. 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. The actuarially determined rates set by the Board for the fiscal years was a percentage of each employee's creditable compensation.

Contributions to the insurance fund from SD1 were \$468,101 and \$780,252 for the years ended June 30, 2023 and 2022, respectively.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB****Plan Information for June 30, 2023 Financial Statements**

At June 30, 2022, the SD1 reported a liability of \$9,702,701 as its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, 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, 2022 measurement year, the SD1's proportion of the total non-hazardous plan was 0.4917%.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2023 and 2022</b>
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**NOTE 10 – OPEB PLAN (Continued)**

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	\$ 976,658	\$ (2,225,054)
Net difference between projected actual earnings on plan investments	393,809	-
Changes of assumptions	1,534,550	(1,264,460)
Changes in proportion and differences between contributions and proportionate share of contributions	46,121	(704,982)
Contributions subsequent to the measurement date	468,101	-
	<u>\$ 3,419,239</u>	<u>\$ (4,194,496)</u>

SD1's contributions subsequent to the measurement date of \$468,101 for non-hazardous duty employees will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024.

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
2023	\$ (224,870)
2024	(222,095)
2025	(742,391)
2026	(54,002)
2027	-
Thereafter	-
	<u>\$ (1,243,358)</u>

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2023 and 2022</b>
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**NOTE 10 – OPEB PLAN (Continued)**

For financial reporting, the actuarial valuation as of June 30, 2022, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2022, were based on an actuarial valuation date of June 30, 2021. The total OPEB liability was rolled-forward from the valuation date (June 30, 2021) to the plan’s fiscal year ending date of June 30, 2022, using the generally accepted actuarial principles.

The actuarial assumptions for CERS Non-Hazardous and CERS Hazardous plans are as follows:

Valuation Date	June 30, 2020
Experience Study	July 1, 2013 to June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 years closed period at June 30, 2019; gains and losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.0%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service for Non-hazardous 3.55% to 19.05% varies by service for Hazardous
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre - 65	Initial trend starting at 6.20% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post - 65	Initial trend starting at 9.00% in 2024, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Nonhazardous Systems, and the PUB2010 Public Safety Mortality table for the 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 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
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

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2023 and 2022</b>
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**NOTE 10 – OPEB PLAN (Continued)**

The single discount rates used to calculate the total OPEB liability within each plan changed since the prior year. 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 the plan's anticipated long-term healthcare costs. There were no other material assumption changes.

Senate Bill 209 passed during the 2022 legislative session and increased the insurance dollar contribution for members hired on or after July 1, 2003, by \$5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable on January 1, 2023. Senate Bill 209 also allows members receiving the insurance dollar contribution to participate in a medical insurance reimbursement plan that would provide the reimbursement of premiums for health plans other than those administered by KPPA.

The total OPEB liability as of June 30, 2022, is determined using these updated benefit provisions. There were no other material plan provision changes.

**Changes of Assumptions**

The discount rates used to calculate the total OPEB liability decreased from 5.20% to 5.70%. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2022 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**

Single discount rates of 5.70% for CERS Nonhazardous, 5.61% for CERS Hazardous, 5.72% for KERS Nonhazardous, and 5.59% for KERS Hazardous systems were used to measure the total OPEB liability as of June 30, 2022. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25%, and a municipal bond rate of 3.69%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2022. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan's fiduciary net position and future contributions were projected separately and were 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 periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plans actuarially determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plan trusts. 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 must include an assumption regarding future employer contributions made each year. Future contributions are projected assuming that each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2023 and 2022</b>
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**NOTE 10 – OPEB PLAN (Continued)**

**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 Non-Hazardous Target Allocation	Long Term Expected Nominal Return
Public equity	50.00%	4.45%
Private equity	10.00%	10.15%
Core bonds	10.00%	0.28%
Specialty credit /high yield	10.00%	2.28%
Cash	0.00%	-0.91%
Real estate	7.00%	3.67%
Real return	13.00%	4.07%
Expected Real Return	100.00%	4.28%
Long-Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		6.58%

**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 5.70% 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	4.70%	5.70%	6.70%
Net OPEB liability, Non-Hazardous	\$ 12,970,963	\$ 9,702,701	\$ 7,000,936
Total	\$ 12,970,963	\$ 9,702,701	\$ 7,000,936

**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	\$ 7,213,742	\$ 9,702,701	\$ 12,691,470
Total	\$ 7,213,742	\$ 9,702,701	\$ 12,691,470

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2023 and 2022</b>
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**NOTE 10 – OPEB PLAN (Continued)**

**Plan Information for June 30, 2022 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, 2023 and 2022</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, 2023 and 2022</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, 2023 and 2022</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 Fiduciary Net Position**

Both the Pension Plan and the Health Insurance Plan issue publicly available financial reports that include financial statements and required supplementary information, and detailed information about each Plan's fiduciary net position. These reports may be obtained, in writing, from the Kentucky Public Pension Authority, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601 or online 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 \$1,481,902 for a net asset value of \$819,000. The future rentals under this agreement are as follows:

Year Ending June 30,	Minimum Rental Due
2024	\$ 189,199
2025	194,875
2026	200,721
2027	206,743
Total	\$ 791,538

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2023 and 2022</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 2026. Lease expense for the years ended June 30, 2023 and 2022 were \$55,954 and \$56,425, respectively. Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year are:

<u>Year Ending June 30,</u>	<u>Minimum Rental</u>
2024	\$ 37,956
2025	14,777
2026	9,852
	<u>\$ 62,585</u>

**NOTE 13 – REIMBURSEMENT COMMITMENTS**

SD1 has entered into inter-local agreements, whereby cities can apply for reimbursement of qualified expenses incurred to accomplish required storm water improvements. There were 16 new agreements totaling \$1,578,012 for the year ended June 30, 2023 and 10 new agreements totaling \$544,665 for the year ended June 30, 2022.

**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 \$210,292 and \$256,553 has been recorded in the accompanying financial statements which is management’s estimate of the unspent balances as of June 30, 2023 and 2022, respectively, that are likely to be paid in future periods.

**NOTE 16 – LITIGATION**

**Consent Decree** – 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.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2023 and 2022</b>
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**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.

**Coppage** – 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. Coppage filed a motion asking the Court to set a date for a trial. SD1 has filed a Bifurcate, asking the Court to set Coppage's partnership by estoppel claim against SD1 for trial separately and in advance of any trial of Coppage's claims against DCI. Judge Molloy heard an oral argument on SD1's motion on July 17, 2023. The motion has been taken under submission. The Court will not set any trial date until the bifurcation motion has been decided.

**Schrage** - SD1 is a party to a putative class action suit against both SD1 and the Northern Kentucky Water District. The suit challenges the imposition and collection of sales tax upon non-owner occupied one to four unit residential properties. Schrage alleged that non-owner occupied properties which contained one to four units were entitled to have their properties treated as "residential" and subject to the sales tax exemption in KRS 139.470(8)(a). Schrage sought a refund on behalf of all putative class members for the four-year period from July 1, 2006 to July 1, 2010 and for any subsequent imposition and collection of the tax. There are no new developments in this suit, plaintiffs continue to litigate the amount of sales tax refund they claim is owned with the Kentucky Department of Revenue.

**Weinel** – SD1 sued Weinell, a Campbell County property owner located within SD1's service area, in Campbell District Court for failure to pay his storm water fees. Weinell challenged SD1's authority to impose and collect fees. The Campbell County District Court ruled in SD1's favor. On October 2, 2020, the Court of Appeals reversed the decision of the lower court. The Kentucky Supreme Court denied Weinell's Motion for Discretionary Review. That makes the Court of Appeals' decision final. The Weinell decision will result in the case no longer being held in abeyance. A ruling from Campbell District Court on the remand from the Court of Appeals to enter Judgment in favor of SD1 in the amount of \$792.70 was entered on September 1, 2023.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2023 and 2022</b>
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**NOTE 16 – LITIGATION (Continued)**

SD1 is the defendant in 19 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 also has several other claims against it which involve sewer backups, odor control, and minor property damages; the majority of these claims are covered by SD1 insurance policies and are being vigorously defended by SD1’s insurance carrier. 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, 2023 and 2022:

Type of Coverage	Amount of Coverage	
	2023	2022
Property- Buildings, pump stations, machinery	\$ 401,831,368	\$ 373,697,158
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	4,564,723	4,149,751
Pipeline policy	5,000,000	5,000,000
Employer's liability	10,000,000	10,000,000
Crime - employee dishonesty	3,000,000	3,000,000
Cyber liability	3,000,000	3,000,000
EDP-hardware, software	1,250,000	1,250,000
Sewer backup	1,000,000	1,000,000
Telecommunications-equipment	467,814	467,814
Electronic vandalism	100,000	100,000
Telecommunications-tower	89,600	89,600

**NOTE 18 – RISKS AND UNCERTAINTIES – COVID-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. As the full effect of the pandemic has waned, SD1’s financial condition, liquidity, and future results of operations have been maintained at pre-pandemic levels. Management continues to actively monitor any possible lingering effects on every aspect of SD1.

**NOTE 19 – INTERFUND TRANSFERS**

During the year ended June 30, 2023, SD1 made a transfer of assets in the amount of \$293,882 from the Sanitation Fund to the Stormwater Fund. This was the result of new storm water assets being constructed and separated as part of sanitary improvement projects.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2023 and 2022</b>
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**NOTE 20 – RECLASSIFICATION OF PRIOR YEAR BALANCES**

SD1 has early adopted the requirements of GASB Statement No. 101 – *Compensated Absences* as of the year ended June 30, 2023, as is encouraged by the standard. The prior year compensated absences classifications have been reclassified to be consistent with the current year presentation; there has been no change to the prior year total compensated absences balance.

**NOTE 21 – SUBSEQUENT EVENTS**

SD1 has evaluated subsequent events through December 19, 2023, which is the date the financial statements were available for issue.

SD1 did not have any events subsequent to June 30, 2023 through December 19, 2023 to disclose.

**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)**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Proportion of net pension liability	0.4916%	0.5661%	0.5263%	0.5175%	0.5280%	5.4090%	0.5450%	0.5661%	0.5647%	
Proportionate share of the net pension liability (asset)	\$ 35,539,710	\$ 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	13,499,176	13,231,649	13,594,328	13,229,298	13,358,633	13,338,602	13,241,319	13,307,431	12,954,902	
Share of the net pension liability (asset) as a percentage of its covered payroll	263.27%	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	52.42%	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)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 3,231,138	\$ 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	3,231,138	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	13,808,283	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	23.40%	21.17%	19.30%	19.41%	16.28%	14.48%	13.95%	12.42%	12.75%	13.74%

**Notes to Required Supplementary Information**  
**June 30, 2023**

**Changes of Assumptions**

The net pension liability as of June 30, 2023, is based on the June 30, 2022, 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

**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)**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Proportion of net OPEB liability	0.4917%	0.5195%	0.5262%	0.5174%	0.5280%	0.5409%				
Proportionate share of the net OPEB liability (asset)	\$ 9,702,701	\$ 9,945,376	\$ 12,705,864	\$ 8,702,115	\$ 9,374,446	\$ 10,874,302				
Covered payroll in year of measurement	13,499,176	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	71.88%	75.16%	93.46%	65.78%	70.18%	81.53%				
Plan fiduciary net position as a percentage of total OPEB liability	60.95%	62.91%	51.67%	60.44%	57.62%	52.39%				

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 468,101	\$ 780,252	\$ 629,826	\$ 650,845	\$ 698,331	\$ 627,856	\$ 630,916			
Actual contribution	468,101	780,252	629,826	650,845	698,331	627,856	630,916			
Contribution deficiency (excess)	-	-	-	-						
Covered payroll	13,808,283	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	3.39%	5.78%	4.76%	4.79%	5.28%	4.70%	4.73%			

**Notes to Required Supplementary Information**  
**June 30, 2023**

**Changes of Assumptions**

The net OPEB liability as of June 30, 2023, is based on the June 30, 2022, 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

## **SUPPLEMENTARY INFORMATION**

<b>SANITATION DISTRICT NO. 1</b> <b>BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -</b> <b>GENERAL REVENUES</b> <b>For the Year Ended June 30, 2023</b>
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	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
Sewer service charges	\$ 99,300,000	\$ 102,400,448	\$ 3,100,448
Storm water charges	11,160,000	11,398,256	238,256
Surcharges	3,170,000	3,888,901	718,901
Capacity connection fees	4,500,000	4,555,677	55,677
Penalties	1,270,000	1,861,825	591,825
Fines	15,000	18,750	3,750
Inspections	221,000	256,799	35,799
Permits	403,500	440,421	36,921
Project reimbursements	-	994	994
Contractual services	150,000	190,054	40,054
Sludge hauling	730,000	427,678	(302,322)
Bad debt recoveries	11,500	23,810	12,310
Other revenues	25,000	168,828	143,828
<b>Total General Revenue</b>	<b>\$ 120,956,000</b>	<b>\$ 125,632,441</b>	<b>\$ 4,676,441</b>

<b>SANITATION DISTRICT NO. 1</b> <b>BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -</b> <b>GENERAL REVENUES</b> <b>For the Year Ended June 30, 2022</b>
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	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
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>	<b>\$ 114,047,500</b>	<b>\$ 118,941,149</b>	<b>\$ 4,893,649</b>

<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, 2023</b></p>
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Expenses			Variance Favorable (Unfavorable)
<b>Dry Creek Treatment Plant Operations</b>	<b>Budget</b>	<b>Actual</b>	
Salaries and wages	\$ 2,558,960	\$ 2,182,300	\$ 376,660
Medical and dental self-insured plan	651,495	677,217	(25,722)
Pension plan	605,952	555,785	50,167
Payroll taxes	195,760	160,285	35,475
Employee benefits	46,110	26,319	19,791
Credits charged to capital projects	-	(3,267)	3,267
Insurance and bond	212,500	225,728	(13,228)
Professional and contracted services	245,698	146,618	99,080
Postage	1,620	765	855
Office and operating supplies	174,581	193,121	(18,540)
Operating maintenance - building grounds	77,175	100,812	(23,637)
Travel, training and certification	69,000	64,927	4,073
Subscriptions	400	465	(65)
Contract labor - building maintenance	3,000	1,556	1,444
Legal advertising	-	937	(937)
Chemicals	1,988,757	1,890,002	98,755
Electric and gas	996,000	1,067,354	(71,354)
Telephone and radio	38,020	28,829	9,191
Fuel oil	40,000	68,864	(28,864)
Water	48,000	42,022	5,978
Vehicle fuels	68,955	72,665	(3,710)
Auto and truck expense	68,173	103,485	(35,312)
Sludge and grit removal	963,212	915,389	47,823
Maintenance material - plant equipment	240,000	183,395	56,605
Safety equipment expense	15,000	10,990	4,010
Rental	8,000	7,747	253
<b>Total Dry Creek Treatment Plant Expenses</b>	<b>9,316,368</b>	<b>8,724,310</b>	<b>592,057</b>

(Continued to next page)

<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, 2023</b>
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<b>Expenses</b>			<b>Variance Favorable (Unfavorable)</b>
<b>Eastern Regional Reclamation Facility</b>	<b>Budget</b>	<b>Actual</b>	
Salaries and wages	\$ 389,534	\$ 343,751	\$ 45,783
Medical and dental self-insured plan	97,724	117,022	(19,298)
Pension plan	97,525	90,487	7,038
Payroll taxes	29,799	25,081	4,718
Employee benefits	6,916	4,379	2,537
Credits charged to capital projects	(33,000)	(37,757)	4,757
Insurance and bond	47,700	50,954	(3,254)
Professional and contracted services	57,115	38,106	19,009
Office and operating supplies	27,000	25,724	1,276
Operating maintenance - building grounds	24,288	25,662	(1,374)
Travel, training and certification	11,403	9,872	1,531
Subscriptions	400	-	400
Chemicals	118,500	66,674	51,826
Electric and gas	325,200	334,766	(9,566)
Telephone and radio	9,300	8,299	1,001
Fuel oil	7,935	4,859	3,076
Water	6,700	4,195	2,505
Vehicle fuels	17,802	12,973	4,829
Auto and truck expense	19,194	11,460	7,734
Sludge and grit removal	96,000	83,185	12,815
Maintenance material - plant equipment	145,000	68,927	76,073
Safety equipment expense	6,200	573	5,627
Rental	1,000	-	1,000
<b>Total Eastern Regional Facility Expenses</b>	<b>1,509,235</b>	<b>1,289,192</b>	<b>220,043</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, 2023</b></p>
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<b>Expenses</b>			<b>Variance Favorable (Unfavorable)</b>
<b>Western Regional Reclamation Facility</b>	<b>Budget</b>	<b>Actual</b>	
Salaries and wages	\$ 661,860	\$ 584,631	\$ 77,229
Medical and dental self-insured plan	195,449	203,694	(8,245)
Pension plan	175,243	148,027	27,216
Payroll taxes	50,632	43,023	7,609
Employee benefits	13,833	8,471	5,362
Credits charged to capital projects	-	(718)	718
Insurance and bond	78,500	85,717	(7,217)
Professional and contracted services	84,106	72,193	11,913
Postage	100	459	(359)
Office and operating supplies	39,680	31,224	8,456
Operating maintenance - building grounds	33,660	49,574	(15,914)
Travel, training and certification	4,524	5,676	(1,152)
Contract labor - building maintenance	-	-	-
Chemicals	276,799	266,711	10,088
Electric and gas	832,250	903,567	(71,317)
Telephone and radio	14,400	15,164	(764)
Fuel oil	1,500	1,055	445
Vehicle fuels	5,186	3,906	1,280
Auto and truck expense	19,503	24,513	(5,010)
Sludge and grit removal	818,865	775,586	43,279
Maintenance material - plant equipment	152,250	143,744	8,506
Safety equipment expense	6,000	1,590	4,410
Rentals	3,000	3,375	(375)
<b>Total Western Regional Facility Expenses</b>	<b>3,467,340</b>	<b>3,371,182</b>	<b>96,158</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, 2023</b></p>
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Expenses	Budget	Actual	Variance Favorable (Unfavorable)
<b>Collection System</b>			
Salaries and wages	\$ 2,729,954	\$ 2,616,215	\$ 113,739
Medical and dental self-insured plan	797,273	909,915	(112,642)
Pension plan	713,245	669,197	44,048
Payroll taxes	208,842	192,550	16,292
Employee benefits	56,427	36,431	19,996
Credits charged to capital projects	(782,785)	(705,290)	(77,495)
Insurance and bond	553,178	653,670	(100,492)
Professional and contracted services	900,000	725,201	174,799
Postage	4,600	4,983	(383)
Office and operating supplies	13,597	7,229	6,368
Travel, training and certification	15,001	14,791	210
Subscriptions	1,125	430	695
Telephone and radio	30,002	35,237	(5,235)
Vehicle fuels	206,425	148,910	57,515
Auto and truck expense	326,015	290,655	35,360
Sludge and grit removal	18,000	28,818	(10,818)
Maintenance material - collection systems	320,000	380,477	(60,477)
Safety equipment expense	26,252	26,520	(268)
Private Lateral Program	300,000	276,088	23,912
<b>Total Collection System Expenses</b>	<b>6,437,151</b>	<b>6,312,027</b>	<b>125,124</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, 2023</b></p>
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<b>Expenses</b>			<b>Variance Favorable (Unfavorable)</b>
<b>Pump Stations/Field Tech</b>	<b>Budget</b>	<b>Actual</b>	
Salaries and wages	\$ 999,351	\$ 990,287	\$ 9,064
Medical and dental self-insured plan	276,885	299,537	(22,652)
Pension plan	257,948	238,448	19,500
Payroll taxes	76,450	73,172	3,278
Employee benefits	19,597	13,740	5,857
Credits charged to capital projects	(50,060)	(88,218)	38,158
Insurance and bond	136,500	155,930	(19,430)
Professional and contracted services	240,000	185,531	54,469
Office and operating supplies	23,000	12,173	10,827
Operating maintenance - building grounds	43,000	35,871	7,129
Travel, training and certification	12,500	25,668	(13,168)
Chemicals	1,700,000	1,588,991	111,009
Electric and gas	2,140,000	2,154,607	(14,607)
Telephone and radio	56,500	63,073	(6,573)
Fuel oil	11,000	8,506	2,494
Water	32,000	68,421	(36,421)
Storm water surcharge	384	381	3
Vehicle fuels	58,900	63,315	(4,415)
Auto and truck expense	79,800	61,916	17,884
Sludge and grit removal	150,000	139,164	10,836
Operating Maintenance - pump stations	240,000	235,965	4,035
Safety equipment expense	10,200	8,795	1,405
Rental	50,000	3,104	46,896
<b>Total Pump Stations/Field Tech Expenses</b>	<b>6,563,955</b>	<b>6,338,377</b>	<b>225,578</b>

(Continued to next page)

<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, 2023</b>
---

<b>Expenses</b>			<b>Variance</b>
<b>Operations</b>	<b>Budget</b>	<b>Actual</b>	<b>Favorable</b>
			<b>(Unfavorable)</b>
Salaries and wages	\$ 854,144	\$ 715,239	\$ 138,905
Medical and dental self-insured plan	177,308	179,514	(2,206)
Pension plan	196,870	178,042	18,828
Payroll taxes	65,342	52,532	12,810
Employee benefits	12,549	5,238	7,311
Credits charged to capital projects	(9,600)	(175,057)	165,457
Insurance and bond	71,100	70,108	992
Professional and contracted services	271,707	237,240	34,467
Office and operating supplies	9,910	5,763	4,147
Operating maintenance - building grounds	185,345	144,866	40,479
Travel, training and certification	20,195	9,948	10,247
Subscriptions	4,829	6,853	(2,024)
Electric and gas	127,695	140,726	(13,031)
Telephone and radio	16,515	13,803	2,712
Water	39,657	25,315	14,342
Vehicle fuels	8,391	5,048	3,343
Auto and truck expense	9,829	14,672	(4,843)
Safety equipment expense	1,353	-	1,353
Basement Back-Up Assistance Program	150,000	120,751	29,249
<b>Total Collection System Expenses</b>	<b>2,213,139</b>	<b>1,750,601</b>	<b>462,538</b>

(Continued to next page)

<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, 2023</b>
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<b>Expenses</b>			<b>Variance Favorable (Unfavorable)</b>
<b>Engineering</b>	<b>Budget</b>	<b>Actual</b>	
Salaries and wages	\$ 1,594,624	\$ 1,498,380	\$ 96,244
Medical and dental self-insured plan	354,836	377,787	(22,951)
Pension plan	418,304	376,378	41,926
Payroll taxes	121,989	110,844	11,145
Employee benefits	25,114	11,261	13,853
Credits charged to capital projects	(925,704)	(1,069,107)	143,403
Insurance and claim deductibles	127,000	126,290	710
Professional and contracted services	279,000	212,078	66,922
Legal services	16,000	69	15,931
Postage	850	82	768
Office and operating supplies	41,189	37,507	3,682
Training and certification	30,966	22,941	8,025
Subscriptions	2,017	382	1,635
Telephone and radio	18,212	16,857	1,355
Vehicle fuels	24,313	20,185	4,128
Auto and truck expense	12,666	7,627	5,039
Safety equipment expense	6,044	2,514	3,530
<b>Total Engineering Expenses</b>	<b>2,147,420</b>	<b>1,752,075</b>	<b>395,345</b>

(Continued to next page)

<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, 2023</b>
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Expenses	Budget	Actual	Variance Favorable (Unfavorable)
<b>Storm Water Program</b>			
Salaries and wages	\$ 3,455,991	\$ 3,150,705	\$ 305,286
Board of directors	8,180	8,179	1
Medical and dental self-insured plan	819,085	782,793	36,292
Pension plan	895,220	799,340	95,880
Payroll taxes	264,383	231,558	32,825
Employee benefits	57,971	38,817	19,154
Unemployment taxes	3,339	-	3,339
Credits charged to capital projects	(441,933)	(546,045)	104,112
Insurance and bond	65,000	33,243	31,757
Professional and contracted services	833,600	282,385	551,215
Legal services	-	13,576	(13,576)
Bank services	82,350	64,170	18,180
Auditing services	9,182	9,086	96
Collections expenses	3,408	3,271	137
Postage	137,871	129,077	8,794
Office and operating supplies	98,729	88,004	10,725
Operating maintenance - building grounds	62,015	50,212	11,803
Storm water program	35,000	30,413	4,587
Training and certification	72,341	52,767	19,574
Subscriptions	100,218	59,030	41,188
Electric and gas	39,725	44,400	(4,675)
Telephone and radio	66,075	55,017	11,058
Water	11,343	7,240	4,103
Vehicle fuels	86,958	48,285	38,673
Auto and truck expense	123,049	75,339	47,710
Maintenance material - storm water	105,000	86,271	18,729
Storm water facilities and features	5,000	2,910	2,090
Safety equipment expense	15,670	9,684	5,986
Rentals	1,500	-	1,500
Penalties and fines	-	-	-
Storm water - Culvert Cost Share Prog.	50,000	1,689	48,311
Storm water - Technical Assistance Prog.	40,000	12,302	27,698
Storm water - Assistance Cost Share Prog.	65,000	9,833	55,167
<b>Total Storm Water Expenses</b>	<u>7,171,270</u>	<u>5,633,551</u>	<u>1,537,719</u>

(Continued to next page)

<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, 2023</b>
---

<b>Expenses</b>			<b>Variance Favorable (Unfavorable)</b>
<b>Administration</b>	<b>Budget</b>	<b>Actual</b>	
Salaries and wages	\$ 2,683,434	\$ 2,552,800	\$ 130,634
Board of directors	21,220	21,221	(1)
Medical and dental self-insured plan	587,778	630,746	(42,968)
Pension plan	693,523	643,535	49,988
Payroll taxes	205,283	183,256	22,027
Employee benefits	41,600	45,716	(4,116)
Unemployment taxes	8,661	-	8,661
Credits charged to capital projects	(7,272)	(23,980)	16,708
Insurance and claims deductibles	259,601	227,656	31,945
Professional and contracted services	811,360	643,069	168,291
Legal services	100,000	21,337	78,663
Bank services	213,615	220,120	(6,505)
Auditing services	23,818	23,574	244
Collections expenses	8,842	8,488	354
Postage	357,379	334,894	22,485
Office and operating supplies	110,429	102,883	7,546
Training and certification	86,818	65,948	20,870
Dues and subscriptions	72,656	72,704	(48)
Legal advertising	350	239	111
Telephone and radio	99,184	84,448	14,736
Vehicle fuels	373	230	143
Auto and truck expense	1,484	433	1,051
Safety equipment expense	9,022	6,782	2,240
Rental	44,200	41,915	2,285
Penalties and fines	1,140	15,642	(14,502)
<b>Total Administration Expenses</b>	<b>6,434,498</b>	<b>5,923,656</b>	<b>510,842</b>
<b>Total Operation, Maintenance, and Administration Expenses</b>	<b>\$ 45,260,376</b>	<b>\$ 41,094,971</b>	<b>\$ 4,165,405</b>

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

<b>General Revenues</b>	\$ 125,632,441
<b>Operation, Maintenance and Administration Expenses</b>	(41,094,971)
<b>Major Repair Expenses</b>	(634,743)
<b>Depreciation</b>	<u>(41,627,822)</u>
<b>Net Operating Income</b>	<u>\$ 42,274,905</u>

<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, 2022</b></p>
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<b>Expenses</b>			<b>Variance Favorable (Unfavorable)</b>
<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>

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<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, 2022</b>
---

<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)

<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, 2022</b></p>
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<b>Expenses</b>			<b>Variance Favorable (Unfavorable)</b>
<b>Western Regional Reclamation Facility</b>	<b>Budget</b>	<b>Actual</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)

<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, 2022</b></p>
--

Expenses	Budget	Actual	Variance Favorable (Unfavorable)
<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)

<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, 2022</b>
---

<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)

<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, 2022</b>
---

<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)

<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, 2022</b></p>
--

<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)

<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, 2022</b>
---

<b>Expenses</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Administration</b>			
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>	<u>6,184,704</u>	<u>5,626,374</u>	<u>558,330</u>
<b>Total Operation, Maintenance, and Administration Expenses</b>	<u>\$ 43,090,957</u>	<u>\$ 40,441,814</u>	<u>\$ 2,649,143</u>

**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>	<u>(40,858,594)</u>
<b>Net Operating Income</b>	<u>\$ 36,652,785</u>

<b>SANITATION DISTRICT NO. 1</b> <b>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b> <b>Year Ended June 30, 2023</b>
--

<u>Federal Agency</u>	<u>Federal Grantor/Program Title/Project</u>	<u>Federal CFDA Number</u>	<u>Grant or Loan Number</u>	<u>Expenditures</u>
EPA	Cleaner Water Program Grant State Revolving Funds - Passed through Commonwealth of Kentucky - Kentucky Infrastructure Authority	66.458	21CWS017	\$ 3,786,970
EPA	Federal Clean Water Act Grant Passed through Commonwealth of Kentucky - Energy and Environment Cabinet, Division of Water	66.605	14-09	<u>23,070</u>
	Total Environmental Protection Agency			<u>\$ 3,810,040</u>
Total Federal Expenditures:				<u><u>\$ 3,810,040</u></u>

**Notes to the Schedule of Expenditure of Federal Awards**

**Note 1 - Basis of Presentation**

This schedule is presented on the modified accrual basis of accounting.

**Note 2 - Subrecipients**

There are no subrecipients of these funds

**Note 3 - Indirect Costs**

The Program directly allocates 100% of program costs and has no indirect costs.

<p><b>SANITATION DISTRICT NO. 1</b>  <b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>  <b>Year Ended June 30, 2023</b></p>
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**I. SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?        Yes   X   No
- Significant deficiencies identified?        Yes   X   None reported

Noncompliance material to financial statements noted        Yes   X   No

*Federal Awards*

Internal Control Over Major Programs:

- Material weakness(es) identified?        Yes   X   No
- Significant deficiencies identified?   X   Yes        None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance        Yes   X   No

Identification of major programs: Federal Program or Cluster	CFDA No.
-----	-----
Cleaner Water Program Grant, State Revolving Loan Funds – Passed through Commonwealth of Kentucky – Kentucky Infrastructure Authority	66.458

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee?        Yes   X   No

**II. FINDINGS - FINANCIAL STATEMENTS AUDIT**

No matters were reported

<b>SANITATION DISTRICT NO. 1</b> <b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b> <b>Year Ended June 30, 2023</b>
---

**III. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

***Finding 2023-01 – No Written Policies or Procedures, or Standards of Conduct Relative to Federal Awards***

**Criteria** – Written policies, procedures, or standards of conduct relative to federal awards are required by 2 U.S. Code of Federal Regulations (CFR) Part 200: *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Subparts D and E (Sections 2 CFR 200.300 and 200.400, respectively.)

**Condition** – Sanitation District No. 1 does not have formalized written policies, procedures, or standards of conduct relative to federal awards.

**Effect** – Effective and consistent internal control over compliance relative to federal awards cannot be maintained and monitored without written policies, procedures or standards of conduct.

**Recommendation** – Sanitation District No. 1 should prepare written policies, procedures, or standards of conduct that document internal controls necessary to ensure compliance over the expenditure of federal awards.

**Management's Response** – *Management will prepare written policies to ensure internal control over compliance is documented.*

**SANITATION DISTRICT NO. 1**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**Year Ended June 30, 2023**

No Uniform Guidance Audit Performed in FY 2022

**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, 2023 and the related notes to the financial statements which collectively comprise Sanitation District No. 1's financial statements, and have issued our report thereon dated December 19, 2023.

**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

December 19, 2023

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Sanitation District No.1's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Sanitation District No. 1's major federal programs for the year ended June 30, 2023. Sanitation District No.1's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Sanitation District No.1 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Sanitation District No.1 and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Sanitation District No.1's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Sanitation District No.1's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Sanitation District No.1's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Sanitation District No.1's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Sanitation District No.1's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Sanitation District No.1's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Sanitation District No.1's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as ***Finding 2023-01 – No Written Policies, Procedures, or Standards of Conduct Relative to Federal Awards***, to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on Sanitation District No.1's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Sanitation District No.1's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Chamberlin Owen & Co., Inc.*

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

Erlanger, Kentucky  
December 19, 2023

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# **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>	110-116
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>	117-120
These schedules contain information to help readers assess SD1's most significant revenue sources.	
<b><i>Debt Service Coverage:</i></b>	121-123
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>	124-128
These schedules provide information about the environment in which SD1 operates.	
<b><i>Operating Information:</i></b>	129-130
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									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Assets and Deferred Outflow of Resources</b>										
<b>Current Assets</b>										
Cash and cash equivalents	\$ 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	\$ 157,206,511
Investments	-	-	-	-	-	-	-	14,902,275	13,764,008	13,571,323
Accounts receivable	-	-	-	-	-	-	-	-	-	-
Customers, net of allowance	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	9,917,731
Communities	12,068	14,484	14,450	13,506	12,231	13,361	11,638	18,165	18,837	21,303
KIA loan receivable	1,204,334	274,991	-	-	-	-	-	-	-	3,786,970
Other	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	2,743,728
Due from other fund	14,313,219	-	-	-	-	-	-	-	-	-
Accrued unbilled charges	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	12,331,499
Prepays and deposits	1,363,240	695,557	765,868	703,728	894,254	929,123	910,011	1,069,798	1,174,665	1,114,267
Accrued interest income	13,980	28,170	22,208	26,267	34,001	34,473	36,839	16,618	19,831	37,410
<b>Total Current Assets</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>200,730,742</b>
<b>Noncurrent Assets</b>										
<b>Restricted Assets</b>										
Cash and cash equivalents	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	2,534,966
Bond proceeds	-	-	-	-	-	-	-	-	46,304,227	16,598,745
Investments	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	80,435,941
Accrued interest	108,183	124,195	130,370	161,677	220,016	243,323	212,416	136,373	135,141	288,686
Prepaid items	188	-	-	-	-	-	-	-	-	-
<b>Total Restricted Assets</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>99,858,338</b>
<b>Receivables</b>										
Assessments	1,555,201	1,470,191	1,380,740	1,321,474	1,254,547	1,200,981	835,386	540,893	494,365	457,741
Improvement notes	5,130	5,130	5,130	5,130	5,130	5,130	-	-	-	-
<b>Total Receivables</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>457,741</b>
<b>Capital Assets</b>										
Land	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	20,214,768
Building, systems, equipment, and vehicles	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	1,673,880,849
Construction in progress	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	50,690,266
Less: accumulated depreciation	(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)	(663,146,877)
<b>Total Capital Assets, Net</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>1,081,639,006</b>
<b>Total Noncurrent Assets</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>1,181,955,085</b>
<b>Total Assets</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>1,382,685,827</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	4,209,382
Deferred outflows related to OPEB	-	-	-	630,915	2,994,036	2,570,546	3,225,882	5,478,761	5,050,769	3,419,239
Deferred loss on refundings	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	5,526,677
<b>Total Deferred Outflow of Resources</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>13,155,298</b>
<b>Total Assets and Deferred Outflow of Resources</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>	<b>\$ 1,395,841,125</b>

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

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Liabilities and Deferred Inflow of Resources</b>										
<b>Current Liabilities</b>										
Bond indebtedness	\$ 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	\$ 17,447,994
Notes payable	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	7,010,321
Accounts payable	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	10,396,556
Accrued payroll and benefits	872,739	905,503	967,085	1,031,245	1,053,226	1,081,829	436,851	456,246	550,865	470,892
Accrued interest payable	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	4,895,954
Accrued taxes and pension	11,008	(24)	(176)	1,166	3,715	(838)	186,288	175,204	3,269	7,449
Compensated absences	835,679	763,264	757,155	848,519	837,922	851,424	865,769	941,637	1,031,053	1,148,341
Due to other fund	14,313,219	-	-	-	-	-	-	-	-	-
Communities	47	47	-	-	-	-	-	-	-	-
Other liabilities	31,076	74,923	167,636	142,544	141,785	140,710	97,407	449,938	146,429	365,526
Sales tax payable	61	102	(643)	150,286	35,713	30,885	-	7,864	104	1,125
<b>Total Current Liabilities</b>	<b>48,514,812</b>	<b>35,198,923</b>	<b>34,186,215</b>	<b>38,690,325</b>	<b>37,441,785</b>	<b>36,817,788</b>	<b>35,996,092</b>	<b>37,783,481</b>	<b>42,354,633</b>	<b>41,744,158</b>
<b>Long-Term Liabilities (Net of Current Portion)</b>										
Bond indebtedness	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	319,341,126
Notes payable	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	72,698,881
Compensated absences	116,791	116,090	120,431	48,591	101,960	147,917	280,043	120,500	194,532	161,858
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	35,539,710
Net OPEB liability	-	-	8,529,478	8,529,478	10,874,302	9,374,446	8,702,115	12,705,864	9,945,376	9,702,701
<b>Total Long-Term Liabilities, Net</b>	<b>534,251,114</b>	<b>512,482,580</b>	<b>508,242,054</b>	<b>489,249,319</b>	<b>475,586,203</b>	<b>453,928,100</b>	<b>436,776,268</b>	<b>421,166,213</b>	<b>459,767,507</b>	<b>437,444,276</b>
<b>Total Liabilities</b>	<b>582,765,926</b>	<b>547,681,503</b>	<b>542,428,269</b>	<b>527,939,644</b>	<b>513,027,988</b>	<b>490,745,888</b>	<b>472,772,360</b>	<b>458,949,694</b>	<b>502,122,140</b>	<b>479,188,434</b>
<b>Deferred Inflow of Resources</b>										
Deferred inflow related to pensions	-	2,045,032	-	565,983	3,348,910	1,452,751	1,370,109	285,576	5,037,406	1,674,330
Deferred inflow related to OPEB	-	-	-	-	569,347	1,998,323	3,408,605	2,435,888	4,887,646	4,194,496
<b>Total Deferred Inflow of Resources</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>5,868,826</b>
<b>Total Liabilities and Deferred Inflow of Resources</b>	<b>582,765,926</b>	<b>549,726,535</b>	<b>542,428,269</b>	<b>528,505,627</b>	<b>516,946,245</b>	<b>494,196,962</b>	<b>477,551,074</b>	<b>461,671,158</b>	<b>512,047,192</b>	<b>485,057,260</b>
<b>Net Position</b>										
Net investment in capital assets	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	670,667,360
Restricted for:										
Debt service funds	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	43,916,657
Operations, infrastructure, and insurance	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	36,807,970
Capital improvement projects and programs	10,657,785	6,161,886	2,683,670	1,416,270	36,750	933,096	1,475,368	899,153	46,304,227	16,598,745
Other purposes	939,102	937,711	949,705	949,968	962,614	982,955	1,211,473	2,560,699	1,537,023	2,534,966
Unrestricted	25,991,804	30,317,310	28,125,486	34,226,352	40,952,656	54,740,439	72,731,136	75,850,813	97,784,490	140,258,167
<b>Total Net Position</b>	<b>711,062,163</b>	<b>714,557,419</b>	<b>711,747,749</b>	<b>725,459,313</b>	<b>743,419,599</b>	<b>768,592,561</b>	<b>796,474,156</b>	<b>817,218,579</b>	<b>851,844,618</b>	<b>910,783,865</b>
<b>Total Liabilities and Net Position</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>	<b>\$ 1,395,841,125</b>

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

**Fiscal Year**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b>Operating Revenues</b>										
Sewer service charges	\$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	\$106,289,349
Storm water charges	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	11,398,256
Permits and tap-in fees	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	4,996,098
Sludge hauling	84,480	72,692	101,621	274,630	401,941	914,722	717,245	805,838	686,607	427,678
Inspections	74,348	177,073	217,454	158,531	173,623	217,307	266,058	231,981	286,223	256,799
Penalties and fines	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	1,880,575
Contractual services	128,752	132,614	136,592	140,689	160,732	136,004	158,882	163,467	162,126	190,054
Bad debt recoveries	21,873	70,916	138,003	50,134	25,135	18,823	19,111	11,320	31,796	23,810
Other revenues	33,287	230,623	297,083	325,918	32,021	84,313	127,903	322,731	106,450	168,828
Project reimbursements	1,450,000	53,274	-	-	131,856	61,628	25,516	53,554	53,430	994
<b>Total Operating Revenues</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>125,632,441</b>
<b>Operating Expenses</b>										
Operation, maintenance and administration										
Salary and wages	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	12,014,270
Employee benefit, incentive and tax expenses	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	9,140,135
Professional and contractual services	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	4,535,408
Office administration expenses	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	1,826,433
Utilities, fuel oil and chemicals expense	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	9,009,386
Vehicle operation expenses	1,068,097	983,314	885,648	824,241	847,695	981,150	841,792	844,557	936,292	965,615
Infrastructure, equipment and other expenses	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	3,603,724
Supplemental/State environmental projects	1,924	-	-	-	-	-	-	-	-	-
Total Operation, maintenance and administration	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	41,094,971
Major repairs and other	1,291,040	1,414,072	1,720,103	876,520	429,175	1,814,545	2,033,349	881,199	987,956	634,743
Depreciation	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	41,627,822
<b>Total Operating Expenses</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>83,357,536</b>
<b>Operating Income</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>	<b>42,274,905</b>

(Continue)

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

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Non-Operating Income (Expense)</b>										
Interest income	\$ 567,152	\$ 686,943	\$ 906,611	\$ 1,264,451	\$ 1,777,381	\$ 2,917,957	\$ 2,574,891	\$ 1,441,419	\$ 1,394,925	\$ 8,136,428
Bad Debt - assessment loans receivable	-	-	-	-	-	-	(315,094)	(237,878)	-	-
Arbitrage rebate	-	-	-	-	-	-	-	(15,322)	15,322	-
Interest on long-term debt	(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)	(9,369,647)
Bond issuance cost	(44,515)	(46,031)	(47,182)	(835,292)	-	-	(770,627)	(676,043)	(1,323,639)	-
Federal credits on Build America Bonds	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	(1,105,803)	(323,186)	(407,480)	(160,790)	(202,205)	(264,890)	(229,512)	(12,227,104)	(262,369)	(241,892)
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)	1,241,913
Net effect of change in OPEB expense	-	-	-	630,915	(551,050)	(352,610)	(82,615)	(778,153)	(119,263)	(695,705)
Net change, fair value of investments	165,073	68,787	287,462	(655,619)	(603,600)	1,099,877	676,051	(1,075,812)	(3,275,868)	(494,632)
<b>Total Non-Operating Income (Expense)</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>(1,423,535)</b>
<b>Change in Net Position Before Capital Contributions</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>40,851,370</b>
<b>Capital Contributions</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>18,087,877</b>
<b>Change in Net Position</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>	<b>\$ 58,939,247</b>

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

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Cash Flow from Operating Activities</b>										
Received from customers	\$ 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	\$ 120,318,713
Paid to suppliers for goods and services	(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)	(21,212,568)
Paid to or on behalf of employees for services	(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)	(21,145,585)
<b>Net Cash Provided by Operating Activities</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>77,960,560</b>
<b>Cash Flows from Capital and Related Financing Activities</b>										
Principal received on notes and bonds	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	3,530,769	3,452,910	3,406,316	3,353,778	3,303,372	3,251,747	1,512,972	332,130	-	-
Cash received from sale of assets	83,100	140,528	22,420	229,710	62,010	17,359	71,578	67,429	143,739	259,000
Bond issuance costs	-	-	-	(835,292)	-	-	-	-	-	-
Payments made on long term debt	(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)	(19,986,485)
Proceeds on bond refunding	-	-	-	141,450,636	-	-	-	-	-	-
Interest paid	(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)	(13,273,803)
Acquisition and construction of capital assets	(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)	(42,877,479)
Principal received on assessments	-	-	-	59,266	66,927	53,566	55,631	56,615	46,528	36,624
Assessment interest income	-	-	-	39,804	38,247	37,599	34,504	32,380	30,350	29,560
(Increase)/decrease in restricted funds	(1,185,570)	515,580	(319,435)	-	-	-	-	-	-	-
<b>Net Cash Used by Capital and Related Financing Activities</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>(75,812,583)</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	613,049	656,740	906,398	345,624	782,270	1,590,001	2,610,940	1,465,723	1,362,593	7,935,744
Proceeds from sale of investments	-	-	-	5,312,777	16,829,301	21,604,760	43,139,947	37,206,476	24,498,798	34,420,164
Purchase of investments	-	-	-	(6,175,715)	(21,865,151)	(17,243,471)	(37,609,555)	(51,675,134)	(29,493,727)	(37,296,661)
Net (increase)/decrease on investments	(646,444)	(1,263,240)	27,103	-	-	-	-	-	-	-
<b>Net Cash (Used) Provided by Investing Activities</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>5,059,247</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</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>7,207,224</b>
<b>Cash and Cash Equivalents - Beginning 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>
<b>Cash and Cash Equivalents - End of Year</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>	<b>\$ 176,340,222</b>

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

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Capital Assets Not Depreciated</b>										
Land	\$ 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	\$ 18,158,887
Construction in progress	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	49,870,454
<b>Total Capital Assets Not Depreciated</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>68,029,341</b>
<b>Depreciable Capital Assets</b>										
Land improvements	\$ 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	\$ 6,505,272
Collection system	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	808,605,070
Pumping system	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	106,638,449
Treatment and disposal	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	278,454,472
General buildings and structures	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	30,070,194
Office furniture and equipment	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	9,516,643
Vehicles and accessories	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	8,457,462
Machinery and equipment	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	6,019,228
Software model development	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>1,087,543,288</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>1,254,266,790</b>
<b>Total Capital Assets</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>\$ 1,322,296,131</b>
<b>Less Accumulated Depreciation</b>										
Land improvements	\$ (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)	\$ (2,438,747)
Collection system	(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)	(265,770,432)
Pumping system	(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)	(68,714,463)
Treatment and disposal	(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)	(115,362,813)
General buildings and structures	(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)	(18,381,386)
Office furniture and equipment	(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)	(7,840,647)
Vehicles and accessories	(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)	(7,042,285)
Machinery and equipment	(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)	(4,864,425)
Software model development	(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>(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>(490,415,198)</b>
<b>Total Capital Assets, Net</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>	<b>\$ 831,880,933</b>

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

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Capital Assets Not Depreciated</b>										
Land	\$ 528,073	\$ 555,072	\$ 720,023	\$ 861,938	\$ 1,013,259	\$ 1,238,152	\$ 1,617,026	\$ 1,819,960	\$ 1,832,610	\$ 2,055,881
Construction in progress	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	819,812
<b>Total Capital Assets Not Depreciated</b>	<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>	<u>2,875,693</u>
<b>Depreciable Capital Assets</b>										
Storm water collection system	\$ 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	\$ 419,296,877
Vehicles and accessories	52,500	52,499	52,499	83,853	109,944	109,944	109,944	169,295	169,295	169,295
Machinery and equipment	47,634	54,485	74,201	103,041	116,881	126,577	136,510	141,827	141,827	147,887
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	-
<b>Total Depreciable Capital Assets</b>	<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>	<u>419,614,059</u>
<b>Total Capital Assets</b>	<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>	<u>\$ 422,489,752</u>
<b>Less Accumulated Depreciation</b>										
Storm water collection system	\$ (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)	\$ (172,443,965)
Vehicles and accessories	(10,207)	(20,701)	(31,224)	(73,072)	(82,932)	(89,424)	(93,159)	(156,234)	(159,958)	(163,682)
Machinery and equipment	(5,466)	(10,566)	(17,008)	(48,990)	(58,226)	(69,650)	(82,407)	(98,513)	(112,428)	(124,032)
Software model development	(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>(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>	<u>(172,731,679)</u>
<b>Total Capital Assets, Net</b>	<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>	<u>\$ 249,758,073</u>

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

	Fiscal Year																			
	2014		2015		2016		2017		2018		2019		2020		2021		2022		2023	
<b>Non-Residential (1)</b>																				
Water Usage																				
in 100 Cubic Feet (HCF)	Rate	%	Rate	%	Rate	%	Rate	%	Rate	%	Rate	%	Rate	%	Rate	%	Rate	%	Rate	%
0-1,700	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%	9.37	5%
1,701-8,400	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%	8.42	5%
Over 8,400	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%	6.51	5%
Monthly minimum bill	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%	18.74	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		16.00		19.00	19%	23.00	21%	26.00	13%
Variable Rate	n/a		n/a		n/a		n/a		n/a		n/a		7.25		6.05	-17%	5.24	-13%	4.72	-10%
Environmental Surcharge	n/a		n/a		n/a		n/a		n/a		n/a		5.00		6.00	20%	7.00	17%	8.00	14%
Flat rate per 100 Cubic Feet (HCF)	6.69	0%	7.02	5%	7.02	0%	7.37	5%	7.73	5%	8.11	5%	n/a		n/a		n/a		n/a	
Monthly minimum bill	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%	34.00	13%
<b>Unmetered Service</b>																				
1 or 2 room house	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%	28.11	5%
3 to 6 room house	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%	46.18	5%
More than 6 rooms	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%	61.08	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									
	2014		2015		2016		2017		2018	
Monthly Rate Per ERU	4.80	2.6%	5.04	5.0%	5.04	0.0%	5.04	0.0%	5.04	0.0%
Quarterly Rate Per ERU	14.40	2.6%	15.12	5.0%	15.12	0.0%	15.12	0.0%	15.12	0.0%
	2019		2020		2021		2022		2023	
Monthly Rate Per ERU	5.04	0.0%	5.04	0.0%	5.04	0.0%	4.54	-9.9%	4.54	0.0%
Quarterly Rate Per ERU	15.12	0.0%	15.12	0.0%	15.12	0.0%	13.62	-9.9%	13.62	0.0%

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

Source: SD1 accounting records

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

Account Name	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Sewer Service Revenues</b>										
Residential Class	\$ 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	\$ 58,928,688
Non-Residential Class	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	44,606,135
Less: Special Meter Refunds	(449,965)	(558,031)	(549,176)	(553,822)	(377,293)	(486,906)	(410,613)	(419,459)	(242,933)	(354,746)
<b>Total Sewer Revenues</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>\$ 103,180,076</b>
<b>Sewer Service Penalties</b>										
Residential Class	\$ 1,099,704	\$ 1,163,565	\$ 1,076,486	\$ 1,042,725	\$ 998,859	\$ 993,641	\$ 629,083	\$ 374,830	\$ 807,426	\$ 1,272,737
Non-Residential Class	275,121	258,129	230,315	246,169	238,989	226,913	183,069	134,642	292,865	362,304
<b>Total Sewer Service Penalties</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>\$ 1,635,041</b>
<b>Total Sewer Service Write Offs</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>\$ (779,628)</b>
<b>Percentage of Write Off's to Revenues &amp; Penalties Billed</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>0.74%</b>
<b>Net Sewer Service Revenues</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>\$ 104,035,489</b>
<b>Storm Water Revenues</b>										
Residential Class	\$ 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	\$ 4,292,911
Non-Residential Class	7,148,676	7,482,093	7,643,149	7,816,638	8,021,471	8,345,718	8,422,645	8,404,682	7,334,969	7,277,172
<b>Total Storm Water Revenues</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>\$ 11,570,083</b>
<b>Storm Water Service Penalties</b>										
Residential Class	\$ 102,955	\$ 110,868	\$ 107,938	\$ 102,673	\$ 90,571	\$ 87,868	\$ 50,376	\$ 32,211	\$ 50,762	\$ 78,533
Non-Residential Class	73,648	76,849	72,686	67,540	70,708	84,809	58,180	64,294	96,635	148,252
<b>Total Sewer Service Penalties</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>\$ 226,784</b>
<b>Total Storm Water Write Offs</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>\$ (171,827)</b>
<b>Percentage of Write Off's to Revenues &amp; Penalties Billed</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>1.46%</b>
<b>Net Storm Water Revenues</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>\$ 11,625,040</b>
<b>Customer Accounts</b>										
<b>Sewer Service Accounts Estimates</b>										
Residential Class	93,366	94,021	94,821	95,438	96,299	97,138	98,056	99,196	100,241	101,585
Non-Residential Class	9,481	9,551	9,679	10,059	10,311	10,255	10,326	10,432	10,549	10,265
<b>Total Sewer Accounts</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>111,850</b>
<b>Storm Water Accounts Estimates</b>										
Residential Class	86,576	86,634	87,100	87,855	89,583	88,906	89,416	87,187	78,998	80,002
Non-Residential Class	7,594	7,567	7,558	7,900	8,364	8,398	8,443	8,359	6,391	6,160
<b>Total Storm Water Accounts</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>	<b>86,162</b>

Source: SD1 billing registers

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

Account Name	2014		2015		2016		2017		2018		2019		2020		2021		2022		2023	
	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount								
Lyons-Magnus	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	1	\$ 3,182,784
Sara Lee Foods	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	2	1,375,919
Tastemaker	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	3	1,251,352
Taylor Farms Tennessee, Inc.	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	4	1,086,251
Safran Landing Systems, KY	NR	-	NR	-	NR	-	NR	-	14	238,572	5	774,173	5	855,962	9	480,921	5	1,003,332	5	979,287
Wild Flavors, Inc.	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	6	777,836
Kenton County Airport	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	7	732,161
St. Elizabeth Medical Center	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	8	649,841
Global Supply Chain	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	9	510,201
L'Oréal USA Florence	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	10	394,259
Northern KY University	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	11	311,924
Camco Chemical Company	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	12	253,464
A.O. Smith	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	13	219,462
Van Melle USA, Inc.	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	14	171,177
Klosterman Bakery	NR	-	NR	-	NR	-	27	28,981	16	140,348	15	147,611								
Environmental Services Inc.	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	16	139,309
White Castle Distributing, Inc.	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	17	125,705
Aristech Acrylics LLC	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	18	122,130
Bluegrass Quality Meats	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	19	119,173
Ferrara Snacks LLC	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	20	115,615
Northern KY Water District	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	21	98,099
IOFINA Chemical Inc.	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	22	66,934
Duro Paper Bag	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	23	63,317
Domino's National Comm.	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	24	40,145
Savannah Foods & Industries	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	25	23,221
Amazon Services LLC	NR	-	n/a	-	n/a	-	n/a	-	n/a	-	26	21,829								
Newly Weds Foods	NR	-	NR	-	NR	-	NR	-	NR	1,733	30	13,318	26	42,056	21	66,744	22	62,301	27	20,466
Highway Transport Chemical LLC	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	28	20,237
Southern Graphics Systems	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	29	10,475
Tressa Inc.	NR	-	NR	-	30	12,663	30	10,363	29	12,964	30	9,141								

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.	Ulta Environmental Service Inc. - Liquid waste collection and disposal.	Tastemaker	Givaudan Flavors - Swiss manufacturer of flavorings and fragrances.
Ferra Snacks LLC	Kellogg's - Cookie and cracker manufacturer.	Taylor Farms Tennessee, Inc.	Producer of fresh cut produce.
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
IOFINA Chemical Inc.	Production of iodine, iodine specialty chemical derivatives, produced water and natural gas.		
Kenton County Airport	Greater Cincinnati Northern Kentucky International Airport (CVG)	White Castle Distributing, Inc.	Markets and distributes frozen and microwavable hamburgers.
L'Oréal USA Florence	Produces shampoos, conditioners & styling products	Wild Flavors, Inc.	Produces natural flavors and ingredients for the beverage industry.

Source: SD1 billing records/invoices

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

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>System Revenues</b>										
Total Operating Revenues	\$ 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	\$ 125,632,441
Total Non-Operating Revenues	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	8,136,428
<b>Total System Revenues</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>\$ 133,768,869</b>
<b>Operating Expenses</b>										
<b>Operation, Maintenance and Administration</b>										
Salary Expense	\$ 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	12,014,270
Employee Benefit, Incentive and Tax Expenses	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	9,140,135
Professional and Contractual Services	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	4,535,408
Office Administration Expenses	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	1,826,433
Utilities, Fuel Oil and Chemical Expenses	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	9,009,386
Vehicle Operation Expenses	1,068,097	983,314	885,648	824,241	847,695	981,150	841,792	844,557	936,292	965,615
Infrastructure, Equipment and Other Expenses	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	3,603,724
Supplemental / State Environmental Projects	1,924	-	-	-	-	-	-	-	-	-
Other Expenses	-	-	-	-	-	-	-	-	-	-
<b>Total Operation, Maintenance and Administration</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>\$ 41,094,971</b>
<b>Major Repairs and Other Expenses</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>\$ 634,743</b>
<b>Bad Debt Expense - Assessment Projects</b>							<b>\$ (315,094)</b>	<b>\$ (237,878)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net System Revenues</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>\$ 92,039,155</b>
<b>Revenue Bonds (Senior Debt) - Principal and Interest Due</b>										
Series 2001A - (Revenue Bonds)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Series 2005A - (Refunding Bonds)	4,187,900	4,186,000	4,183,600	4,010,500	-	-	-	-	-	-
Series 2006A - (Revenue Bonds)	3,010,301	3,008,109	3,008,874	2,126,859	-	-	-	-	-	-
Series 2007A - (Revenue Bonds)	6,003,650	6,019,150	6,025,375	3,748,500	-	-	-	-	-	-
Series 2009A - (Build America Bonds)	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)	5,439,214	5,428,479	5,409,567	5,388,239	5,366,686	5,339,304	3,626,973	-	-	-
Series 2010B - (Refunding Bonds)	3,019,825	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)	1,973,859	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	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	8,735,331
Series 2019A - (Refunding Bonds)	-	-	-	-	-	-	1,588,700	8,161,194	8,151,819	8,146,319
Series 2020A - (Refunding Bonds)	-	-	-	-	-	-	-	667,486	3,721,475	3,716,725
Series 2021A - (Revenue Bonds)	-	-	-	-	-	-	-	-	301,591	2,219,044
Series 2021B - (Revenue Bonds)	-	-	-	-	-	-	-	-	981,042	2,062,750
<b>Total Principal and Interest on Revenue Bonds</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>\$ 24,880,169</b>
<b>Debt Service Coverage Ratio - Bonds (Senior Debt)</b>										
* Calculated	194%	192%	192%	221%	241%	261%	321%	349%	359%	370%
** Required	125%	125%	125%	125%	125%	125%	125%	125%	125%	125%

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

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

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

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>KIA and Other Notes (Subordinate Debt) Principal and Interest Due</b>										
A04-09 Eastern Regional Water Reclamation Facility	\$ 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	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	3,915,433
A09-04 Dry Creek WWTP Clarifier Project	309,102	308,683	308,255	307,819	307,374	306,920	306,456	305,984	305,502	305,010
A09-05 Sunnybrook Sewer Project	342,238	341,763	341,280	340,786	340,283	339,769	339,245	338,711	338,166	337,610
A09-06 South Fork / Gunpowder Interceptor Construction Project	800,930	799,877	798,803	797,708	796,591	795,451	794,289	793,103	791,893	790,659
A09-07 Frogtown Interceptor	297,079	296,685	296,282	295,872	295,453	295,026	294,590	294,145	293,692	293,229
A09-08 Turkeyfoot Rd / Industrial Rd. Force Main Project	135,410	134,996	134,815	134,630	134,442	134,249	134,053	133,853	133,649	133,440
A09-09 Narrows Road Diversion Pump Station Construction Project	507,838	506,806	506,126	505,432	504,724	504,002	503,265	502,514	501,748	500,966
A10-11 Dry Creek Headworks Construction Project	269,750	1,003,396	1,004,284	1,002,936	1,001,560	1,000,158	998,727	997,267	995,778	994,259
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	675,814
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	250,245
A12-02 Wolpert Pump station Rehab and Force Main Replacement	53,539	53,468	53,395	53,321	53,246	53,169	53,090	53,010	52,928	52,845
A15-103 Patton and 8th Street Wet Well Rehab	-	-	12,525	132,558	131,566	131,381	131,193	131,002	130,807	130,609
A209-01 ARRA Banklick Creek Sewer Project	11,860	11,843	11,826	11,809	11,792	11,774	11,756	109,210	-	-
A209-02 ARRA Banklick Creek Wetlands Project	41,299	41,243	41,187	41,128	41,068	41,008	40,946	411,995	-	-
A209-03 ARRA Regional Bioretention Project	44,989	44,928	44,865	44,801	44,735	44,668	44,600	431,644	-	-
A209-04 ARRA Terraced Reforestation Project	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>\$ 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>\$ 8,380,119</b>
<b>All Bonds and Notes-Annual Principal and Interest Payments</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>\$ 33,260,287</b>
<b>All Debt Service Coverage Ratio</b>										
*** Calculated	149%	144%	145%	163%	178%	192%	221%	224%	251%	277%

\*\*\* 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>
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%
2023	336,789,121	79,709,202	416,498,323	111,850	3,724	1,382,685,827	30.1%

(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>2012 (ACS 5-Year Estimates)</u>				<u>2013 (ACS 5-Year Estimates)</u>				<u>2014 (ACS 5-Year Estimates)</u>			
	<u>BOONE</u>	<u>CAMPBELL</u>	<u>KENTON</u>	<u>COMBINED</u>	<u>BOONE</u>	<u>CAMPBELL</u>	<u>KENTON</u>	<u>COMBINED</u>	<u>BOONE</u>	<u>CAMPBELL</u>	<u>KENTON</u>	<u>COMBINED</u>
<b>POPULATION</b>												
Total Population	119,406	90,119	159,926	369,451	121,214	90,606	160,828	372,648	123,030	91,268	161,915	376,213
Median Age (years)	35.7	36.9	36.2	n/a	36.0	37.0	36.4	n/a	36.1	37.0	36.3	n/a
<b>HOUSEHOLDS</b>												
Total Households	42,617	35,235	62,260	140,112	43,255	35,203	61,800	140,258	43,903	35,478	61,962	141,343
Average Household Size	2.78	2.48	2.53	2.59	2.78	2.49	2.56	2.61	2.78	2.49	2.57	2.62
Populations in Households	118,644	87,391	157,383	363,418	120,390	87,830	158,303	366,523	122,141	88,307	159,438	369,886
Population 25 years and older	82,033	65,184	114,494	261,711	83,378	65,772	115,346	264,496	84,911	66,322	116,400	267,633
<b>HOUSING OCCUPANCY</b>												
Total Housing Units	46,196	39,497	69,053	154,746	46,635	39,560	69,081	155,276	47,052	39,705	69,242	155,999
Occupied Housing Units	42,617	35,235	62,260	140,112	43,255	35,203	61,800	140,258	43,903	35,478	61,962	141,343
Owner-Occupied Units	32,362	24,857	42,361	99,580	32,649	24,643	42,038	99,330	32,561	24,417	41,536	98,514
Renter-Occupied Units	10,255	10,378	19,899	40,532	10,606	10,560	19,762	40,928	11,342	11,061	20,426	42,829
Vacant Housing Units	3,579	4,262	6,793	14,634	3,380	4,357	7,281	15,018	3,149	4,227	7,280	14,656
Vacant Housing Rate	7.7%	10.8%	9.8%	9.5%	7.2%	11.0%	10.5%	9.7%	6.7%	10.6%	10.5%	9.4%
Median (Value)	\$ 173,000	\$ 147,600	\$ 146,200	n/a	\$ 172,700	\$ 146,300	\$ 144,300	n/a	\$ 174,200	\$ 147,700	\$ 143,900	n/a
<b>EMPLOYMENT STATUS</b>												
Population 16 years and older	89,053	72,133	124,387	285,573	90,433	72,430	125,242	288,105	92,145	73,165	126,093	291,403
Population in Civilian Labor Force	63,730	49,122	84,991	197,843	64,347	49,548	85,459	199,354	65,546	49,526	85,229	200,301
Employed	59,622	45,175	78,089	182,886	59,917	45,336	77,880	183,133	61,454	45,481	78,082	185,017
Employed Percentage	93.6%	92.0%	91.9%	92.4%	93.1%	91.5%	91.1%	91.9%	93.8%	91.8%	91.6%	92.4%
Unemployed	4,108	3,947	6,902	14,957	4,430	4,212	7,579	16,221	4,092	4,045	7,147	15,284
Unemployed Percentage	6.4%	8.0%	8.1%	7.6%	6.9%	8.5%	8.9%	8.1%	6.2%	8.2%	8.4%	7.6%
<b>INCOME</b>												
Median Household Income	\$ 67,125	\$ 53,580	\$ 53,900	n/a	\$ 67,225	\$ 54,306	\$ 54,270	n/a	\$ 67,286	\$ 54,482	\$ 54,817	n/a
Mean Household Income	\$ 78,904	\$ 67,013	\$ 69,366	\$ 71,675	\$ 80,339	\$ 67,244	\$ 69,687	\$ 72,359	\$ 81,417	\$ 68,553	\$ 70,126	\$ 73,238
Per Capita Income	\$ 28,640	\$ 27,063	\$ 27,669	\$ 27,840	\$ 29,235	\$ 26,945	\$ 27,704	\$ 28,025	\$ 29,656	\$ 27,479	\$ 27,788	\$ 28,331
<b>POVERTY LEVEL</b>												
Percentage whose Income in the past 12-months is below Poverty Level.												
All Families	6.4%	9.5%	10.1%	8.7%	7.4%	10.0%	10.5%	9.3%	7.1%	10.4%	11.1%	9.6%
All People	8.3%	12.4%	13.2%	11.4%	9.0%	13.0%	13.7%	12.0%	8.7%	14.0%	14.3%	12.4%
Under 18 Years	10.6%	17.2%	19.8%	15.9%	12.2%	17.5%	20.8%	17.0%	11.7%	19.2%	21.8%	17.6%
65 Years and Older	8.0%	6.5%	7.5%	7.4%	6.9%	8.0%	8.3%	7.8%	8.2%	8.0%	8.8%	8.4%

Source: factfinder2.census.gov/

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

<u>NORTHERN KY COUNTIES</u>	<u>2015 (ACS 5-Year Estimates)</u>				<u>2016 (ACS 5-Year Estimates)</u>				<u>2017 (ACS 5-Year Estimates)</u>			
	<u>BOONE</u>	<u>CAMPBELL</u>	<u>KENTON</u>	<u>COMBINED</u>	<u>BOONE</u>	<u>CAMPBELL</u>	<u>KENTON</u>	<u>COMBINED</u>	<u>BOONE</u>	<u>CAMPBELL</u>	<u>KENTON</u>	<u>COMBINED</u>
<b>POPULATION</b>												
Total Population	124,617	91,475	163,007	379,099	125,656	91,456	163,393	380,505	127,682	91,804	163,987	383,473
Median Age (years)	36.2	37.3	36.4	n/a	36.6	37.9	36.7	n/a	37.1	38.0	36.9	n/a
<b>HOUSEHOLDS</b>												
Total Households	44,709	35,477	62,225	142,411	45,649	35,954	62,746	144,349	46,095	35,870	62,929	144,894
Average Household Size	2.77	2.49	2.58	2.62	2.73	2.46	2.57	2.59	2.75	2.46	2.57	2.60
Populations in Households	123,644	88,421	160,718	372,783	124,657	88,314	161,085	374,056	126,649	88,392	161,610	376,651
Population 21 years and older	86,329	66,896	117,493	270,718	87,486	67,314	118,478	273,278	89,342	67,938	119,155	276,435
Population 65 years and older	13,236	12,365	19,988	45,589	13,980	12,702	20,747	47,429	15,414	13,264	21,556	50,234
<b>HOUSING OCCUPANCY</b>												
Total Housing Units	47,466	39,754	69,369	156,589	47,878	39,873	69,520	157,271	48,499	39,929	69,484	157,912
Occupied Housing Units	44,709	35,477	62,225	142,411	45,649	35,954	62,746	144,349	46,095	35,870	62,929	144,894
Owner-Occupied Units	32,785	24,368	40,956	98,109	32,880	24,530	41,155	98,565	33,885	24,675	41,329	99,889
Renter-Occupied Units	11,924	11,109	21,269	44,302	12,769	11,424	21,591	45,784	12,210	11,195	21,600	45,005
Vacant Housing Units	2,757	4,277	7,144	14,178	2,229	3,919	6,774	12,922	2,404	4,059	6,555	13,018
Vacant Housing Rate	5.8%	10.8%	10.3%	9.1%	4.7%	9.8%	9.7%	8.2%	5.0%	10.2%	9.4%	8.2%
Median (Value) Owner-occupied units	\$ 175,100	\$ 150,400	\$ 145,200	n/a	\$ 178,300	\$ 156,600	\$ 147,000	n/a	\$ 183,700	\$ 160,700	\$ 149,700	n/a
<b>EMPLOYMENT STATUS</b>												
Population 16 years and older	93,587	73,523	127,102	294,212	95,134	73,934	127,720	296,788	97,459	74,589	128,542	300,590
Population in Civilian Labor Force	66,346	49,211	86,096	201,653	67,334	49,093	87,231	203,658	67,873	48,795	87,172	203,840
Employed	62,624	45,872	79,447	187,943	63,757	46,233	81,588	191,578	64,527	46,154	82,552	193,233
Employed Percentage	94.4%	93.2%	92.3%	93.2%	94.7%	94.2%	93.5%	94.1%	95.1%	94.6%	94.7%	94.8%
Unemployed	3,722	3,339	6,649	13,710	3,577	2,860	5,643	12,080	3,346	2,641	4,620	10,607
Unemployed Percentage	5.6%	6.8%	7.7%	6.8%	5.3%	5.8%	6.5%	5.9%	4.9%	5.4%	5.3%	5.2%
<b>INCOME</b>												
Median Household Income	\$ 66,730	\$ 54,621	\$ 54,296	n/a	\$ 69,165	\$ 56,772	\$ 56,568	n/a	\$ 72,731	\$ 57,208	\$ 58,674	n/a
Mean Household Income	\$ 81,500	\$ 70,780	\$ 70,236	\$ 73,908	\$ 85,590	\$ 74,223	\$ 72,452	\$ 77,048	\$ 90,790	\$ 77,224	\$ 76,160	\$ 81,078
Per Capita Income	\$ 29,866	\$ 28,248	\$ 27,847	\$ 28,612	\$ 31,593	\$ 29,834	\$ 28,785	\$ 29,968	\$ 33,553	\$ 31,065	\$ 30,195	\$ 31,528
<b>POVERTY LEVEL</b>												
Percentage whose Income in the past 12-months is below Poverty Level.												
All Families	6.6%	10.3%	11.8%	9.6%	6.5%	11.0%	10.9%	9.4%	6.0%	9.5%	9.9%	8.4%
All People	8.2%	14.6%	14.6%	12.5%	7.9%	14.9%	13.6%	12.0%	7.6%	14.2%	12.9%	11.4%
Under 18 Years	11.2%	20.5%	23.0%	18.2%	11.4%	22.0%	21.5%	17.9%	10.6%	19.2%	19.5%	16.2%
65 Years and Older	5.9%	9.8%	8.5%	8.1%	6.3%	10.2%	8.0%	8.1%	5.2%	12.2%	8.0%	8.2%

Source: factfinder2.census.gov/

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

<u>NORTHERN KY COUNTIES</u>	<u>2018 (ACS 5-Year Estimates)</u>				<u>2019 (ACS 5-Year Estimates)</u>				<u>2020 (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	129,095	92,267	164,688	386,050	130,820	92,861	165,668	389,349	132,368	93,608	166,552	392,528
Median Age (years)	37.3	38.1	37.0	n/a	37.5	38.2	37.1	n/a	38.0	38.1	37.3	n/a
<b>HOUSEHOLDS</b>												
Total Households	46,404	36,308	63,529	146,241	46,997	36,746	63,966	147,709	47,391	37,197	64,544	149,132
Average Household Size	2.76	2.44	2.55	2.59	2.76	2.43	2.55	2.59	2.77	2.42	2.54	2.59
Populations in Households	128,053	88,744	162,253	379,050	129,808	89,261	163,247	382,316	131,351	90,052	164,136	385,539
Population 21 years and older	90,557	68,424	120,201	279,182	91,544	68,770	120,648	280,962	92,949	69,584	121,407	283,940
Population 65 years and older	16,093	13,707	22,334	52,134	16,864	14,117	23,111	54,092	17,968	14,811	23,915	56,694
<b>HOUSING OCCUPANCY</b>												
Total Housing Units	48,961	40,109	69,635	158,705	49,443	40,312	69,661	159,416	49,938	40,533	69,790	160,261
Occupied Housing Units	46,404	36,308	63,529	146,241	46,997	36,746	63,966	147,709	47,391	37,197	64,544	149,132
Owner-Occupied Units	34,370	25,018	41,781	101,169	35,015	25,624	42,303	102,942	35,954	26,204	43,693	105,851
Renter-Occupied Units	12,034	11,290	21,748	45,072	11,982	11,122	21,663	44,767	11,437	10,993	20,851	43,281
Vacant Housing Units	2,557	3,801	6,106	12,464	2,446	3,566	5,695	11,707	2,547	3,336	5,246	11,129
Vacant Housing Rate	5.2%	9.5%	8.8%	7.9%	4.9%	8.8%	8.2%	7.3%	5.1%	8.2%	7.5%	6.9%
Median (Value) Owner-occupied units	\$ 186,500	\$ 168,300	\$ 155,200	n/a	\$ 189,800	\$ 172,000	\$ 161,100	n/a	\$ 194,700	\$ 173,400	\$ 167,100	n/a
<b>EMPLOYMENT STATUS</b>												
Population 16 years and older	98,981	75,215	129,244	303,440	100,352	75,592	130,197	306,141	101,829	76,332	131,210	309,371
Population in Civilian Labor Force	69,183	48,901	87,789	205,873	70,331	48,952	89,136	208,419	69,672	49,401	90,440	209,513
Employed	66,174	46,679	83,543	196,396	67,668	46,997	85,375	200,040	67,197	47,301	86,893	201,391
Employed Percentage	95.7%	95.5%	95.2%	95.4%	96.2%	96.0%	95.8%	96.0%	96.4%	95.7%	96.1%	96.1%
Unemployed	3,009	2,222	4,246	9,477	2,663	1,955	3,761	8,379	2,475	2,100	3,547	8,122
Unemployed Percentage	4.3%	4.5%	4.8%	4.6%	3.8%	4.0%	4.2%	4.0%	3.6%	4.3%	3.9%	3.9%
<b>INCOME</b>												
Median Household Income	\$ 75,043	\$ 59,782	\$ 61,606	n/a	\$ 78,327	\$ 63,050	\$ 64,339	n/a	\$ 82,838	\$ 63,152	\$ 66,541	n/a
Mean Household Income	\$ 93,086	\$ 79,669	\$ 80,194	\$ 84,154	\$ 97,356	\$ 83,704	\$ 83,684	\$ 88,039	\$ 98,617	\$ 85,588	\$ 87,810	\$ 90,690
Per Capita Income	\$ 34,433	\$ 32,225	\$ 31,811	\$ 32,794	\$ 35,991	\$ 34,025	\$ 33,330	\$ 34,396	\$ 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	5.3%	9.2%	9.5%	8.0%	5.4%	9.4%	8.1%	7.5%	4.2%	8.7%	7.7%	6.7%
All People	7.1%	13.8%	12.6%	11.0%	7.2%	13.5%	11.5%	10.5%	6.5%	12.4%	11.5%	10.0%
Under 18 Years	10.2%	17.0%	18.3%	15.1%	10.0%	15.9%	16.4%	14.6%	9.5%	12.8%	16.9%	13.3%
65 Years and Older	4.7%	12.3%	7.7%	8.0%	3.6%	12.7%	8.6%	8.1%	4.3%	15.4%	8.2%	8.8%

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>2021 (ACS 5-Year Estimates)</u>			
	<u>BOONE</u>	<u>CAMPBELL</u>	<u>KENTON</u>	<u>COMBINED</u>
<b>POPULATION</b>				
Total Population	134,599	93,023	168,264	395,886
Median Age (years)	38.0	38.1	37.4	n/a
<b>HOUSEHOLDS</b>				
Total Households	48,683	38,030	66,999	153,712
Average Household Size	2.75	2.35	2.48	2.53
Populations in Households	133,675	89,515	165,975	389,165
Population 21 years and older	94,521	69,327	122,575	286,423
Population 65 years and older	18,186	14,844	24,402	57,432
<b>HOUSING OCCUPANCY</b>				
Total Housing Units	51,044	41,165	72,210	164,419
Occupied Housing Units	48,683	38,030	66,999	153,712
Owner-Occupied Units	37,423	26,932	45,459	109,814
Renter-Occupied Units	11,260	11,098	21,540	43,898
Vacant Housing Units	2,361	3,135	5,211	10,707
Vacant Housing Rate	4.6%	7.6%	7.2%	6.5%
Median (Value) Owner-occupied units	\$ 205,100	\$ 184,700	\$ 176,000	n/a
<b>EMPLOYMENT STATUS</b>				
Population 16 years and older	103,369	75,754	132,688	311,811
Population in Civilian Labor Force	71,620	49,565	91,648	212,833
Employed	69,155	47,542	87,830	204,527
Employed Percentage	96.56%	95.92%	95.83%	96.10%
Unemployed	2,465	2,023	3,818	8,306
Unemployed Percentage	3.4%	4.1%	4.2%	3.9%
<b>INCOME</b>				
Median Household Income	\$ 87,034	\$ 65,580	\$ 68,503	n/a
Mean Household Income	\$ 103,177	\$ 91,974	\$ 91,344	\$ 95,248
Per Capita Income	\$ 38,292	\$ 38,404	\$ 36,957	\$ 37,748
<b>POVERTY LEVEL</b>				
Percentage whose Income in the past 12-months is below Poverty Level.				
All Families	3.7%	8.0%	8.2%	6.6%
All People	6.1%	12.2%	11.9%	10.0%
Under 18 Years	8.6%	12.6%	17.4%	13.1%
65 Years and Older	3.6%	15.7%	9.7%	9.3%

Source: data.census.gov/

**Sanitation District No. 1**  
**Northern Kentucky Top Ten Employers**  
**2014 & 2023**

<b>Top Ten Employers in Northern Kentucky - 2023</b> (Ranked by Local Employees)		
<b>Company</b>	<b>Employees</b>	<b>Percentage of Employed Work Force</b>
St. Elizabeth Healthcare	9,865	4.6%
Amazon.com LLC	6,000	2.8%
Fidelity Investments	4,800	2.3%
Kroger Company	4,000	1.9%
Boone County School District	3,500	1.6%
DHL	3,000	1.4%
Northern Kentucky University	2,600	1.2%
Citi	2,300	1.1%
Novolex	1,300	0.6%
Mubea NA	1,200	0.6%
<b>Totals:</b>	<b>38,565</b>	<b>18.1%</b>
Source: Business Courier 2023 Book of Lists		

<b>Top Ten Employers in Northern Kentucky - 2014</b> (Ranked by Local Employees)		
<b>Company</b>	<b>Employees</b>	<b>Percentage of Employed Work Force</b>
St. Elizabeth Healthcare	7,423	3.7%
Internal Revenue Service	4,250	2.1%
Fidelity Investments	3,900	1.9%
Boone County Schools	3,600	1.8%
Kroger Company	3,312	1.7%
DHL	2,342	1.2%
Citi	2,290	1.1%
Kenton County Schools	2,200	1.1%
Delta Airlines Inc.	2,120	1.1%
Northern Kentucky University	2,100	1.0%
<b>Totals:</b>	<b>33,537</b>	<b>16.7%</b>
Source: Business Courier 2014 Book of Lists		

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

	Design Capacity MGD	Fiscal Year									
		2014	2015	2016	Average Daily Wastewater Flow (MGD)			2020	2021	2022	2023
					2017	2018	2019				
<b>Treatment Plant Flow (1)</b>											
Dry Creek	46.5	26.4	20.7	27.4	27.0	27.0	27.0	30.0	25.3	25.3	25.0
Eastern Regional WRF*	4.0	0.94	1.05	1.03	1.00	1.00	1.00	1.00	1.15	1.15	1.10
Western Regional WRF**	20.0	8.43	7.77	8.12	8.00	8.00	8.00	9.00	9.00	9.00	11.18
	<u>70.5</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>	<u>37.3</u>
<b>Staffing Levels (2)</b>											
Administration		58	59	58.5	54	43	45	44.5	56	54	54
Engineering		21	21	21	21	23	25	28.5	29.5	31.5	31.5
Operations		6	6	5	5	20	23.5	25.5	13.5	14.5	14.5
Water Resources		15.5	15.5	16.5	16.5	16.5	11.5	11.5	11.5	10.5	10.5
Collection System		88	88	84	78	72	69	66	66	66	63
Field Tech (Pump Stations)		15	15	15	15	15	15	15	16	17	17
Eastern Regional and Small Plants		10.5	10.5	10.5	9.5	9.5	7.5	7.5	7.5	7.5	6.0
Western Regional Plant		12	13	13	13	13	13	13	13	13	12
Dry Creek and Lab		47.5	46.5	45.5	45.5	45.5	44.5	43	43	42.5	40.5
<b>Total Employees</b>		<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>	<u>249.0</u>

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

(2) Source: SD1 budget documents

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

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

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

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Miles of Sanitary Sewers (Includes sanitary, force mains and combined)	1,600	1,600	1,620	1,620	1,640	1,650	1,662	1,685	1,685	1,701
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	2	3	3	3	3	2	2	2
Pump Stations										
Owned and Operated	121	121	121	120	121	121	121	122	123	124
Operated but not Owned	14	14	3	3	3	3	3	3	3	4
Flood Stations	15	15	15	15	15	15	15	15	15	15
Flood Gate Structures	88	88	89	89	92	93	93	93	93	93
Storm Structures	32,062	32,541	32,820	33,097	31,106	31,657	32,728	32,300	32,915	33,999
Miles of Separate Storm Sewers	442	447	447	451	416	425	428	433	442	546

Source: SD1 GIS records