



2016-2017 Comprehensive Annual Financial Report

For the Fiscal Years Ended
June 30, 2017 and 2016



Sanitation District No. 1
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SANITATION DISTRICT NO. 1

June 30, 2017 and 2016

Comprehensive Annual Financial Report



Prepared By:

Sanitation District No. 1

1045 Eaton Drive
Ft. Wright, KY

Finance Department

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

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INTRODUCTORY SECTION



December 7, 2017

To the Citizens Served by Sanitation District No. 1 (SD1) and to SD1's Board of Directors:

SD1 and its Finance Department are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017. This report follows guidelines set forth by the Government Accounting Standards Board and Generally Accepted Accounting Principles (GAAP).

This report consists of management's representations concerning the finances of SD1. Responsibility for the completeness and reliability of the information presented rests with SD1 Management. SD1 has worked to establish an internal control framework that provides a reasonable basis for asserting that the financial statements are fairly presented. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

SD1's financial statements have been audited by VonLehman CPA & Advisory Firm, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that SD1's financial statements for the fiscal year ended June 30, 2017 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, 2017 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 more than 286,000 residents throughout Boone, Campbell and Kenton Counties.

SD1 maintains approximately 1,620 miles of sanitary sewer line, 120 wastewater pumping stations, 15 flood pump stations, seven package treatment plants, three major wastewater treatment plants, nearly 451 miles of storm sewer pipe and 33,097 storm sewer structures.

In Fiscal Year 2017, SD1 served a sanitary sewer customer base of 105,497 accounts and a storm water customer base of 95,755 accounts. SD1's sanitary sewer customer base has experienced a 0.660 percent average annual growth rate over the past five years, while SD1's storm water customer base has experienced a 0.266 percent average annual growth rate over the past five years with the City of Cold Spring opting out of SD1's Regional Management Storm Water Program during 2013.

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. 2016 Census estimates, Northern Kentucky's population was 385,692. SD1 derives strength from the area's diverse economic base of manufacturing, entertainment, retail and commercial facilities. The local economy also benefits from its proximity to Cincinnati and includes the Greater Cincinnati International Airport.

According to the Northern Kentucky Tri-County Economic Development Corporation, Northern Kentucky as part of the Cincinnati MSA continues to demonstrate its standing as an economically strong region-within-a-region. Northern Kentucky is on pace with other metropolitan areas of similar size. Entrepreneurship, workforce development and business expansion in the Northern Kentucky region reflect a thriving economy with even greater opportunities ahead.

Despite the Cincinnati MSA unemployment rate increasing slightly from 4.4 percent in June 2016 to 4.7 percent in June 2017, the unemployment rate has steadily decreased since the recession, averaging around 4.3 percent in fiscal years 2017 and 2016. The past three years, the Cincinnati MSA average unemployment rate has been slightly under 5 percent compared to a high of 11.1 percent in January 2010. The regional average unemployment rate continues to remain slightly below the national average rate of 4.7 percent.

In Northern Kentucky, the housing market continues on a moderate upward trend. Home sales and prices continue showing signs of improvement, although price appreciation has been slow to return to pre-recession levels. The housing market continues to face challenges such as limited inventory and increased banking regulations.

Long Term Financial Planning

Many factors affect the funding and management of our wastewater and storm water utility, the most prominent of which are requirements for sewer overflows and SD1's regional storm water management program.

In 2007, SD1 entered into an agreement, or Consent Decree, with the U.S. EPA and the Kentucky Energy and Environment Cabinet, taking action to reduce water pollution in Northern Kentucky's creeks and streams. The Clean Water Act's regulations affect SD1, because like many wastewater collection systems in the country, SD1 has portions of the collection system that overflow during wet weather periods. During a heavy storm, these pipes can become overloaded and overflow, releasing sewage in the adjoining area. An estimated \$1.3 billion investment, estimated in 2016 dollars is required to address these overflows.

Other cities and utilities have entered into consent decrees like SD1, but SD1's Consent Decree is somewhat unique. It is a comprehensive watershed approach that focuses on improving public health and regional water quality by addressing other sources of water pollution in addition to reducing sewer overflows. This approach allows SD1 to develop efficient and cost-effective solutions that consider the source of the problem in an area and implement solutions specific to the cause and location. SD1 is also able to prioritize the solutions so that those fixes which have the greatest improvement on water quality at lower costs are addressed first.

Because the 2025 deadline for SD1's Consent Decree places a major financial burden on the community, SD1 is currently negotiating with state and federal officials to extend the deadline, making the program more affordable to ratepayers.

SD1 continues to refine the storm water management policies and program initiatives to meet the expectations of the community.

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 \$476,578,838. Outstanding bonds of SD1 are rated Aa3 by Moody's and AA/Stable by Standard & Poor's rating agencies. For fiscal year ended June 30, 2017, net revenues covered debt service on both revenue bonds and Kentucky Infrastructure Authority (KIA) notes by 1.63 times. Unrestricted cash was at a level representing at least 484 days' cash which equated to \$54.2 million.

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

Major Initiatives

In order to provide reliable wastewater and storm water services at an affordable rate to our customers, SD1 has continued to work on strategic business plan projects that address issues of strategic importance to the entire region. Our commitment to this plan ensures all members of SD1's staff are working toward protecting public health, property and the environment while supporting the economic vitality of the community.

Some major initiatives that are currently underway and align with the goals outlined in our strategic business plan include adoption of a Lean improvement process, development of an aerial sewer inspection program, development of new design standards for detention basins and employee involvement on the Northern Kentucky Technical Rescue Team.

Lean Improvement Process

SD1 is embarking on a new path focused on continuous improvement and adopting the Lean improvement process. Lean will help maximize customer value while using the appropriate amount of resources by incorporating standardized processes and metrics to track our success. Simply put, our organization will be removing obstacles from daily routines so we can serve our customers faster and better. This process should eliminate red tape, remove bottlenecks, improve process time, strengthen service and save money.

Aerial Sewer Inspection Program

Aerial sewers are elevated, exposed sanitary sewers supported by piers. They cross creeks, valleys and other areas where there isn't a slope to support the pipe. Aerial sewers that fail can cause overflows that pollute our environment, so it is important to regularly assess an aerial pipe's condition. To meet this need, the Collection Systems Department started a program to identify and inspect SD1's aerial sewers. They worked with GIS to locate all possible aerial sewers and going forward will be working on initial inspections for all aerial sewers. The sewers will be ranked based on key indicators so they can be prioritized and re-inspected based on each pipe's condition.

Detention Basin Design Standards

The Integrated Watershed Management Department adjusted storm water control requirements for new developments as a means of protecting public health, property and the environment. These changes will help prevent runoff from overwhelming our waterways, eroding stream banks at an accelerated pace and damaging roads, utilities and other infrastructure. Among the changes is a new design standard for extended detention basins – a smaller opening that reduces how fast water flows out of the basins and into the region's streams. Not only does the new design standard meet regulations, it also reduces potential maintenance issues.

Northern Kentucky Technical Rescue Team

Northern Kentucky is full of carefully trained specialists who serve our community in a variety of ways. The Northern Kentucky Technical Rescue Team (NKTRT) joins those individuals together to serve the community on a greater scale. Several SD1 employees volunteer their time with the NKTRT. This involves attending meetings and trainings so they can be ready to respond when a situation arises. NKTRT provides specialized emergency response capabilities and resources in order to respond to calls for assistance that exceeds the scope of normal fire, rescue and EMS response.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to SD1 for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2016. This was the fourth consecutive year SD1 has received this prestigious award. In order to be awarded a Certificate of Achievement, SD1 published an easily readable and efficiently organized comprehensive annual financial report. The report satisfied both generally accepted accounting principles and applicable legal requirements.

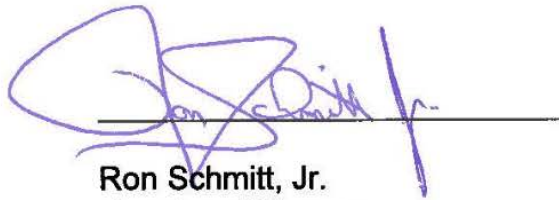
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of all SD1 departments and staff. We would like to express our appreciation to all who assisted and contributed to the preparation of this report.

Respectfully Submitted,

A stylized, cursive signature in blue ink, written over a horizontal line.

Adam Chaney
Executive Director

A stylized, cursive signature in blue ink, written over a horizontal line. The signature appears to read "Ron Schmitt, Jr.".

Ron Schmitt, Jr.
Director of Finance

SANITATION DISTRICT NO. 1
BOARD OF DIRECTORS
(As of June 30, 2017)

Bob Boswell, President
Boone County

Robert Horine, Vice President
Campbell County

Gary Richardson, Secretary
Kenton County

Chuck Heilman, Treasurer
Campbell County

Rick Wessels, Director
Kenton County

Bob Schroder, Director
Kenton County

Russ Horsley, Director
Kenton County

Dolf Allesch, Director
Boone County



Government Finance Officers Association

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

Presented to

**Sanitation District No. 1
Kentucky**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

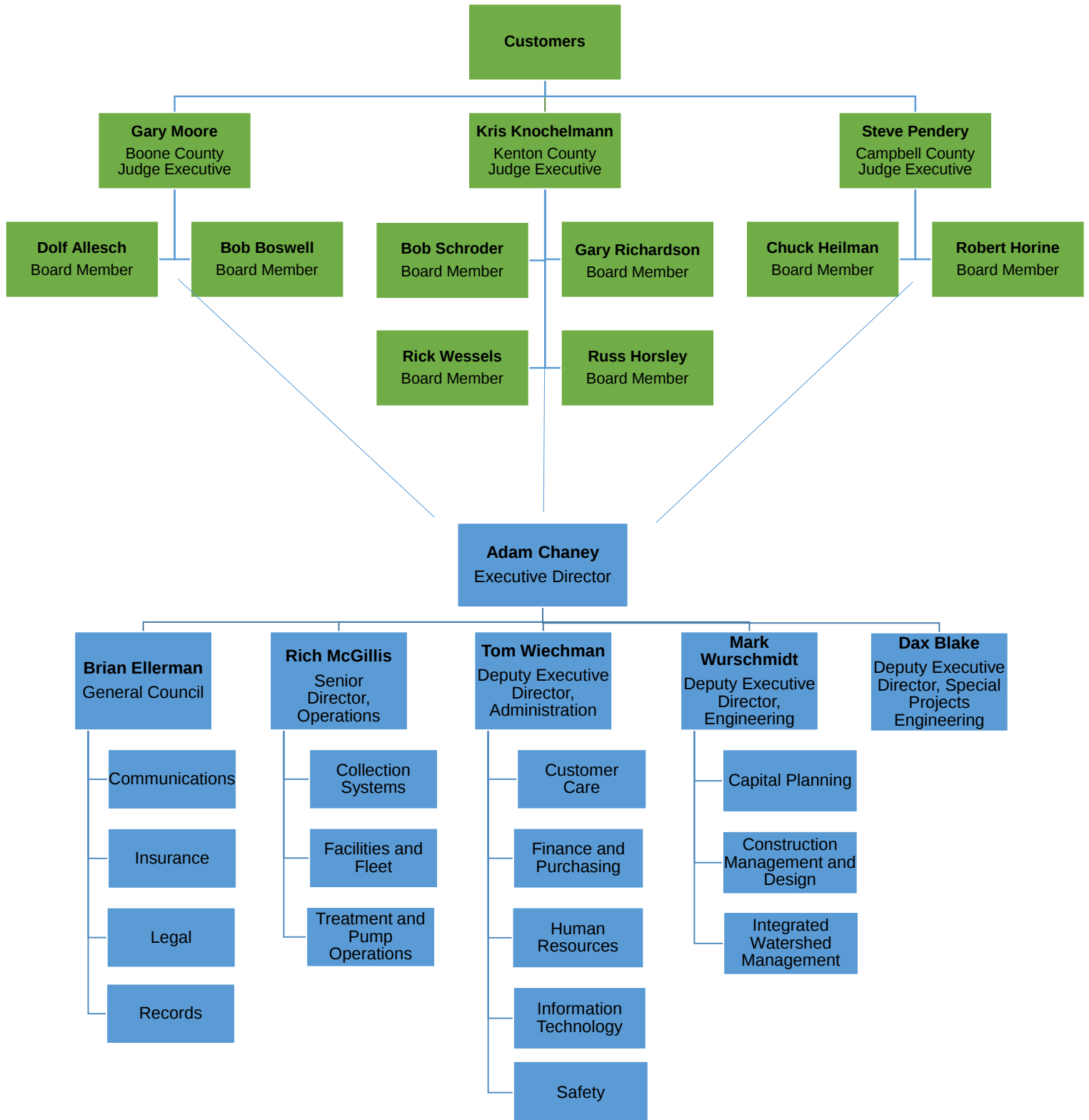
June 30, 2016

Executive Director/CEO

SANITATION DISTRICT NO. 1

ORGANIZATION CHART

as of June 30, 2017



FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Sanitation District No. 1 (SD1) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise SD1's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of SD1 as of June 30, 2017, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of SD1's proportionate share of the net pension liability, and schedule of SD1's contributions on pages 12 – 20, and 60 – 61, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 7, 2017, on our consideration of the SD1 internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the SD1's internal control over financial reporting and compliance.

Other Reporting Required by Government Auditing Standards

The financial statements of the business-type activities of SD1 as of June 30, 2016, were audited by other auditors whose report dated November 28, 2016, expressed an unmodified opinion on those statements.

VonLehman & Company Inc.

Fort Wright, Kentucky
December 7, 2017

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

Following is a narrative overview and analysis of the financial activities of the Sanitation District No. 1 for fiscal year ended June 30, 2017. 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.

Financial Highlights

- SD1's total net position increased by \$11.8 million to \$755.4 million.
- Net investment in capital assets increased by \$9.1 million to \$627.3 million.
- Unrestricted net position increased by \$5.5 million to \$42.1 million.
- Operating revenues increased by \$4.5 million to \$98.9 million.
- Operating expenses excluding depreciation increased by \$0.5 million to \$40.8 million.
- SD1's total outstanding debt decreased by \$18.6 million or 3.76%.

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

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

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in SD1's basic financial statements. The notes to the financial statements can be found on pages 29 – 59 of this report.

In addition to the basic financial statements and accompanying notes, this reports also presents other supplementary information concerning budgetary comparisons. Other supplementary information can be found on pages 62 – 83 of this report.

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

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 2017 compared to 2016.

Table 1			
Net Position			
	June 30,		
	2017	2016	2015
Assets			
Current Assets	\$ 78,251,515	\$ 69,438,953	\$ 63,527,279
Restricted Assets	86,059,821	88,780,931	91,980,574
Receivables - Noncurrent	1,326,604	1,385,870	1,475,321
Capital Assets	<u>1,097,153,041</u>	<u>1,111,300,359</u>	<u>1,127,665,409</u>
Total Assets	<u>1,262,790,981</u>	<u>1,270,906,113</u>	<u>1,284,648,583</u>
Deferred Outflows of Resources	<u>12,625,425</u>	<u>6,549,646</u>	<u>4,112,471</u>
Liabilities			
Current Liabilities	38,164,156	33,744,396	34,751,629
Noncurrent Liabilities	<u>481,246,010</u>	<u>500,154,396</u>	<u>512,929,874</u>
Total Liabilities	<u>519,410,166</u>	<u>533,898,792</u>	<u>547,681,503</u>
Deferred Inflows of Resources	<u>565,983</u>	<u>-</u>	<u>2,045,032</u>
Net Position			
Net Investment in Capital Assets	627,255,521	618,121,073	616,736,635
Restricted	86,059,821	88,780,931	91,980,574
Unrestricted	<u>42,124,915</u>	<u>36,654,963</u>	<u>30,317,310</u>
Total Net Position	<u>\$ 755,440,257</u>	<u>\$ 743,556,967</u>	<u>\$ 739,034,519</u>

Total assets decreased by \$8.1 million in 2017 and \$13.7 million in 2016. Although current assets increased \$8.8 million in 2017 and \$5.9 million in 2016 due to building up cash reserves, restricted and capital assets decreased \$16.9 million in 2017 and \$19.6 million in 2016. This decrease for both years can be attributed primarily to spending down bond proceeds on capital projects and accumulated depreciation on existing assets increasing more than the amount being invested in new capital improvement projects each year.

Deferred outflow of resources increased \$6.1 million in 2017 and \$2.4 million in 2016. The majority of the increase in 2017 was a result of deferring the refunding costs associated with the defeasance of the 2005, 2006, and 2007 Series Bonds. The increase in 2016 was a result of changes in the deferred outflow of resources related to the pension liability.

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

Total liabilities decreased by \$14.5 million in 2017 compared to a \$13.8 million decrease in 2016. Approximately \$18.0 million of the decrease for both years was a result of not issuing any new bonds, other than a refunding in 2017 and continuing to pay on the existing debt. Net pension liability increased \$2.5 million in 2017 and \$6.0 million in 2016 which resulted in a net pension liability of \$26.8 million in 2017 compared to \$24.3 million in 2016.

Deferred inflow of resources increased \$0.5 million in 2017 and decreased \$2.0 million in 2016 due to the changes in the deferred inflow of resources related to the pension liability.

Total net position increased almost \$11.9 million in 2017 and \$4.5 million in 2016. The largest portion of SD1's net position \$627.3 million or 83.0% in the current fiscal year reflects its investment in capital assets such as land, buildings, treatment facilities, and collection systems, less any related debt still outstanding used to acquire those assets. SD1 uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although SD1's investment in its capital assets is reported net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of SD1's net position is considered to be restricted. This amount represents resources that are subject to external restrictions on how they may be used. The restricted net position decreased 3.06% from 2016 and 6.44% since 2015. The decrease was primarily a result of spending down bond proceeds on capital projects and a reduction in the required amount of debt service reserve funds being held due to the refunding of some existing debt which lowered the maximum annual debt service requirement pursuant to SD1's Trust Indenture. 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 14.9% at the end of 2017 and increased 20.9% at the end of 2016. The majority of the increase was associated with building up cash reserves to cash finance future capital improvement projects to defer the need for additional debt.

Table 2 shows the changes in net assets for 2017, as well as revenue and expense comparisons to 2016 and 2015.

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

Table 2
Changes in Net Position

	Years Ended June 30,		
	2017	2016	2015
Operating Revenues			
Sewer Service Charges	\$ 79,746,166	\$ 75,730,322	\$ 76,583,543
Storm Water Charges	12,965,299	12,745,499	12,405,055
Permits and Tap-in Fees	3,848,229	3,566,331	3,117,162
Sludge Hauling	274,630	101,621	72,692
Inspections	158,531	217,454	177,073
Penalties	1,466,407	1,502,174	1,619,161
Contractual Services	140,689	136,592	132,614
Bad Debt Recoveries	50,134	138,003	70,916
Other Revenues	325,918	297,083	230,623
Project Reimbursements	-	-	53,274
Total Operating Revenues	98,976,003	94,435,079	94,462,113
Operating Expenses			
Operation, Maintenance and Administration	39,976,208	38,588,567	38,897,696
Major Repairs and Other	876,520	1,720,103	1,414,072
Depreciation Expense	40,813,474	40,776,214	40,859,784
Total Operating Expenses	81,666,202	81,084,884	81,171,552
Net Operating Income	17,309,801	13,350,195	13,290,561
Other Income	2,130,519	3,077,895	3,481,677
Interest and Other Charges	17,671,508	20,143,508	20,704,561
Change in Net Position Before Capital Contributions	1,768,812	(3,715,418)	(3,932,323)
Capital Contributions	10,114,478	8,237,866	6,230,218
Change in Net Position	\$ 11,883,290	\$ 4,522,448	\$ 2,297,895

In 2017, SD1's total operating revenues experienced an increase of \$4.5 million or 4.81%. Sanitary revenues increased \$4.0 million which was a result of a 5.0% rate increase to sanitary sewer fees that became effective July 1, 2016. Storm water revenues experienced an increase of \$0.2 million due to a slight increase in the number of storm water accounts and in increase in impervious areas on non-residential accounts. Permits and tap-in fees experienced almost a \$0.3 million increase due to a 5% rate increase in the capacity connection fee.

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

In 2016, SD1's total operating revenues experienced a slight decrease of \$27.0 thousand or 0.03% in comparison to the previous year. Sanitary revenues decreased \$0.8 million which was a result of declining water consumption by residential households and significant industrial users. Storm water revenues experienced an increase of \$0.3 million due to a slight increase in the number of storm water accounts and an increase in impervious areas on non-residential accounts. Permits and tap-in fees experienced a \$0.4 million increase due to a rise in the number of capacity connection fees.

In 2017, operating expenses, excluding depreciation increased by \$0.5 million or 1.35%. The following contributed to the change in operating expenses.

- Salaries and wages increased \$0.5 million due to less staff time being charged to capital projects.
- Employee benefits increased \$0.7 million due to an increase in the number of medical and prescription claims and a 9.5% rate increase in the CERS non-hazardous pension rate for all full time employees.
- Professional services decreased \$0.1 million due to a decrease in the utilization of external staff supplementation services for special projects.
- Banking fees increased \$0.2 million due to the implementation of Paymentus and SD1 absorbing all fees the first year.
- Chemicals increased by \$0.2 million due to fluctuations in weather conditions this year in comparison to last year which resulted in more chemicals being used for treatment and odor control.
- Sludge and grit removal decreased \$0.2 million due to being able to resume transporting and disposing of Dry Creek's biosolids at a local more cost effective facility that was temporarily unavailable last year due to a landslide issue.
- Major repairs and other expenses decreased \$0.8 million due to less preliminary studies and conceptual design work of proposed capital projects occurring this year.

In 2016, operating expenses, excluding depreciation decreased \$3.1 thousand or 0.01%. The following contributed to the change in operating expenses:

- Employee benefits decreased \$0.2 million due to a decrease in the number of high cost claimants and an increase in employee premiums that resulted from an addition of a new participation level.
- Chemicals decreased by \$0.3 million due to a reduction in chemical usage by automating chemical monitoring and feed systems at the treatment plants.
- Sludge and grit removal increased \$0.3 million due to experiencing higher costs for transporting and disposing Dry Creek's biosolids to a different facility while the current facility was correcting a landslide issue.
- Vehicle and equipment fuels decreased by \$0.1 million which was primarily a result of less gallons being used and a reduction in fuel rates.
- Major repairs and other expenses increased \$0.3 million due to preliminary studies and conceptual design work of proposed capital projects.

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

Non-operating income decreased \$0.9 million in 2017 which was primarily due to a \$0.5 million increase in the net effect of change in SD1's share of the net pension expense, a \$0.2 million decrease in losses on disposal of assets and a \$0.9 million decrease in the fair market value of investments, offset by a \$0.3 million increase in interest income. Non-operating income decreased \$0.4 million in 2016 which was primarily due to a \$0.7 million increase in the net effect of change in SD1's share of the pension expense and a \$0.2 million increase in interest income.

Interest and other charges decreased \$2.5 million in 2017 and \$0.5 million in 2016. The decrease in 2017 was a result of refinancing bonds at a lower interest rate, as well as, continuing to pay down the existing debt. The decrease in 2016 was due to not issuing any new bonds and continuing to pay down the existing debt.

Capital contributions increased almost \$1.9 million in 2017 and increased \$2.0 million in 2016 which was primarily due to an increase in acquired subdivision sanitary and storm water assets from developers.

Capital Assets

SD1's investment in capital assets as of June 30, 2017 was approximately \$1.1 billion (net of accumulated depreciation). This represents a 1.27% decrease over 2016. Although capital assets increased \$24.3 million, accumulated depreciation increased \$38.4 million. Major capital assets added during the year included \$13.7 million for rehab and replacement of sanitary lines and \$9.2 million of storm water lines. Land Improvement assets were added in the amount of \$0.7 million due to the installation of two new pier walls needed to prevent further damage from landslides and to protect new sewer lines. Vehicles and equipment decreased almost \$1.0 million due to the retirement of several vehicles and equipment sold at auction. Construction in progress increased \$0.5 million as on-going projects were being constructed and readied for use.

As of June 30, 2016, SD1's investment in capital assets was \$1.1 billion (net of accumulate depreciation). This represents a 1.45% decrease over 2015. Although capital assets increased \$23.1 million, accumulated depreciation increased \$39.5 million. Major capital assets added during 2016 included \$9.2 million for rehab and replacement of sanitary lines and \$8.9 million of storm water lines. Pumping station infrastructure and equipment improvements were added in the amount of \$5.1 million. Construction in progress decreased \$1.2 million as constructed assets were placed into service.

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

These assets are summarized in table 3 below.

Table 3
Capital Assets, Net of Depreciation

	June 30,		
	2017	2016	2015
Not Being Depreciated			
Land	\$ 16,140,009	\$ 15,845,697	\$ 15,414,160
Construction in Progress	11,914,610	11,444,632	12,613,822
Other Capital Assets			
Land Improvements	3,986,902	3,249,751	3,249,751
Collection System	693,385,908	679,709,357	670,488,000
Pumping System	98,210,442	97,798,125	92,656,350
Treatment and Disposal	264,269,368	263,994,437	263,781,508
General Buildings and Structures	30,028,238	30,028,238	30,028,238
Office Furniture and Equipment	7,742,850	7,571,419	7,322,966
Vehicle and Accessories	8,936,081	9,805,624	9,800,401
Machinery and Equipment	5,494,919	5,612,545	5,510,387
Software Model Development	21,554,029	21,554,029	21,554,029
Storm Water Collection System	406,119,483	396,875,775	387,981,011
Subtotal	1,567,782,839	1,543,489,629	1,520,400,623
Less Accumulated Depreciation	470,629,798	432,189,270	392,735,214
Totals	\$ 1,097,153,041	\$ 1,111,300,359	\$ 1,127,665,409

Additional information on SD1's capital assets can be found in Note 5 – Capital Assets on pages 37 and 38 of this report.

Debt and Capital Asset Administration

SD1 ended fiscal year 2017 with \$476.6 million in outstanding bonds and notes compared to \$495.2 million in 2016 and \$513.3 million in 2015. This represents a decrease of 3.76% in 2017 and 3.54% in 2016 as shown in Table 4. SD1 issued bonds in the amount of \$124,990,000 to refund Series 2005A Bonds, Series 2006A Bonds and Series 2007A Bonds to take advantage of favorable interest rates and is expected to save SD1 and its rate payers a net of \$31.2 million over the next 21 years. SD1 added \$1.2 million to the notes payable in 2017 and \$2.1 million in 2016 as funds were drawn from the Kentucky Infrastructure Authority (KIA) Revolving Loan Fund. These funds were utilized to help fund the necessary capital improvement projects.

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

Table 4 summarizes SD1's outstanding debt at June 30, 2017, 2016, and 2015.

**Table 4
Debt Summary**

	June 30,		
	2017	2016	2015
Bond Indebtedness	\$ 339,854,417	\$ 352,290,207	\$ 365,383,540
Notes Payable	<u>136,724,421</u>	<u>142,882,485</u>	<u>147,961,008</u>
	<u>\$ 476,578,838</u>	<u>\$ 495,172,692</u>	<u>\$ 513,344,548</u>

Additional information on SD1's long-term debt can be found in Note 7 – Long-Term Debt on pages 38 – 44 of this report.

Economic Factors and Next Year's Budget

In June 2017, SD1's Board of Directors and the Judges Executive of Boone, Campbell and Kenton counties approved the fiscal year 2018 Operating & Maintenance (O&M) and Capital budgets. The 2018 O&M budget was approved for \$42.6 million which reflects a 0.75% increase compared to the 2017 budget.

The revenue budget calls for a 5.0% rate increase to sanitary sewer rates and assumes no rate increase for storm water rates. The impact to revenue is an anticipated increase of \$2.6 million over 2017 actual sewer service revenue.

In preparing the 2018 operating budget, the key focus was on controlling expenditures in light of rising cost associated with healthcare cost, pension obligations, new environmental regulations, and aging facilities. The budget was developed with an emphasis on maximizing customer value with the appropriate amount of resources. The 2018 budget is focused on continuous improvement of operations and systems to provide for better efficiencies, collaboration with outside stakeholders and realignment and optimization of existing staff. There is a long term focus on accountability and defining measurable metrics in order to evaluate performance to determine achievement of goals.

SD1's 2018 wastewater and storm water Capital Improvement Plan "CIP" includes a number of projects to address both operational needs and community needs. The projects are all at different stages of advancement and the anticipated work may range from planning, design, to construction. The CIP also provides for implementation of recurring annual improvement programs such as asset renewal and unplanned emergency repairs. New capital asset purchases are also included for vehicle replacements, software and hardware purchases, and equipment replacements at SD1's main facility, treatment plants and pump stations. The total investment approved for the projects, programs, and purchases is \$126.5 million of which \$108.5 million is estimated for sanitary projects, \$17.0 million for storm water projects and \$1.0 million for capital asset purchases.

The spending plan for the \$126.5 million in CIP expenditures is anticipated to occur over multiple fiscal year capital budgets. The 2018 capital budget spending plan calls for \$46.2 million, of which \$14.4 million is for sanitary and storm water asset management projects, \$18.4 million for consent decree projects, \$3.7 million for capacity pinch point improvements, \$1.1 million for storm water cost share programs, \$1.1 million for storm water technical flood assistance and plan development, \$2.5 million for storm water capital improvement projects, \$4.0 million for storm water integration projects, and \$1.0 million for new capital asset purchases.

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

At the end of fiscal year 2017, all available bond proceeds have been spent on capital projects. Other funds available for major capital improvements include \$17.8 million to draw from the Commonwealth of Kentucky's Revolving Loan Funds and \$1.6 million of grant/county/KYTC funds. Any additional funds needed for funding capital projects and programs will be provided from cash reserves, net revenues and future bond issues.

Contacting SD1's Financial Management

This report is designed to provide our customers and creditors with a general overview of SD1's finances and to show the SD1's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Sanitation District Administrative Office at 1045 Eaton Drive, Fort Wright, Kentucky, 41017 or email info@sd1.org.

SANITATION DISTRICT NO. 1
STATEMENT OF NET POSITION
June 30, 2017

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>Sanitation</u>	<u>Storm Water</u>	<u>Total</u>
Assets and Deferred Outflows of Resources			
Current Assets			
Cash and Cash Equivalents	\$ 37,268,524	\$ 16,924,833	\$ 54,193,357
Accounts Receivable			
Customers	6,801,454	2,212,571	9,014,025
Communities	13,506	-	13,506
Other	4,243,127	3,575	4,246,702
Accrued Unbilled Charges	8,469,630	1,584,300	10,053,930
Prepaid Items and Deposits	703,378	350	703,728
Accrued Interest	22,064	4,203	26,267
Due (To) From Other Funds	(1,169)	1,169	-
	<u>57,520,514</u>	<u>20,731,001</u>	<u>78,251,515</u>
Total Current Assets			
Noncurrent Assets			
Restricted Assets			
Cash and Cash Equivalents	2,366,227	-	2,366,227
Investments	81,945,474	1,586,443	83,531,917
Accrued Interest	161,677	-	161,677
	<u>84,473,378</u>	<u>1,586,443</u>	<u>86,059,821</u>
Total Restricted Assets			
Receivables			
Assessments	1,321,474	-	1,321,474
Municipal Improvement Notes	5,130	-	5,130
	<u>1,326,604</u>	<u>-</u>	<u>1,326,604</u>
Total Receivables			
Capital Assets			
Land, System, Building and Equipment	1,143,054,754	412,813,475	1,555,868,229
Construction in Progress	8,445,318	3,469,292	11,914,610
Less Accumulated Depreciation	(359,149,169)	(111,480,629)	(470,629,798)
	<u>792,350,903</u>	<u>304,802,138</u>	<u>1,097,153,041</u>
Total Capital Assets			
Total Noncurrent Assets	<u>878,150,885</u>	<u>306,388,581</u>	<u>1,184,539,466</u>
Total Assets	<u>935,671,399</u>	<u>327,119,582</u>	<u>1,262,790,981</u>
Deferred Outflows of Resources			
Deferred Outflows Related to Pension	4,854,728	1,089,379	5,944,107
Deferred Loss on Refundings	6,681,318	-	6,681,318
	<u>11,536,046</u>	<u>1,089,379</u>	<u>12,625,425</u>
Total Deferred Outflows of Resources			
Total Assets and Deferred Outflows of Resources	<u>\$ 947,207,445</u>	<u>\$ 328,208,961</u>	<u>\$ 1,275,416,406</u>

See accompanying notes.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

	<u>Sanitation</u>	<u>Storm Water</u>	<u>Total</u>
Liabilities and Deferred Inflows of Resources			
Current Liabilities			
Bond Indebtedness	\$ 15,234,259	\$ -	\$ 15,234,259
Notes Payable	7,416,373	90,417	7,506,790
Accounts Payable	4,514,029	2,200,186	6,714,215
Accrued Payroll and Benefits	858,768	172,477	1,031,245
Accrued Interest Payable	7,058,582	2,719	7,061,301
Accrued Taxes and Pension	1,166	-	1,166
Compensated Absences	308,557	13,793	322,350
Sales Tax Payable	150,286	-	150,286
Other Liabilities	142,544	-	142,544
	<u>35,684,564</u>	<u>2,479,592</u>	<u>38,164,156</u>
Long-Term Liabilities			
(Net of Current Portion)			
Bond Indebtedness	324,620,158	-	324,620,158
Notes Payable	127,824,719	1,392,912	129,217,631
Compensated Absences	409,924	164,836	574,760
Net Pension Liability	21,915,684	4,917,777	26,833,461
	<u>474,770,485</u>	<u>6,475,525</u>	<u>481,246,010</u>
Total Noncurrent Liabilities			
	<u>474,770,485</u>	<u>6,475,525</u>	<u>481,246,010</u>
Total Liabilities	510,455,049	8,955,117	519,410,166
Deferred Inflows of Resources			
Deferred Inflows Related to Pension	462,254	103,729	565,983
	<u>462,254</u>	<u>103,729</u>	<u>565,983</u>
Total Liabilities and Deferred Inflows of Resources	510,917,303	9,058,846	519,976,149
	<u>510,917,303</u>	<u>9,058,846</u>	<u>519,976,149</u>
Net Position			
Net Investment in Capital Assets	323,936,712	303,318,809	627,255,521
Restricted For			
Debt Service Funds	48,963,709	10,255	48,973,964
Operations, Infrastructure, and Insurance	33,143,431	1,576,188	34,719,619
Capital Improvement Projects and Programs	1,416,270	-	1,416,270
Other Purposes	949,968	-	949,968
Unrestricted	27,880,052	14,244,863	42,124,915
	<u>436,290,142</u>	<u>319,150,115</u>	<u>755,440,257</u>
Total Net Position			
	<u>436,290,142</u>	<u>319,150,115</u>	<u>755,440,257</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 947,207,445</u>	<u>\$ 328,208,961</u>	<u>\$ 1,275,416,406</u>

SANITATION DISTRICT NO. 1
STATEMENT OF NET POSITION
June 30, 2016

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>Sanitation</u>	<u>Storm Water</u>	<u>Total</u>
Assets and Deferred Outflows of Resources			
Current Assets			
Cash and Cash Equivalents	\$ 30,453,418	\$ 14,677,754	\$ 45,131,172
Accounts Receivable			
Customers	7,815,881	2,322,496	10,138,377
Communities	14,450	-	14,450
Other	3,750,928	-	3,750,928
Accrued Unbilled Charges	8,060,550	1,555,400	9,615,950
Prepaid Items and Deposits	762,018	3,850	765,868
Accrued Interest	18,877	3,331	22,208
	<u>50,876,122</u>	<u>18,562,831</u>	<u>69,438,953</u>
Total Current Assets			
Noncurrent Assets			
Restricted Assets			
Cash	2,511,111	5,883	2,516,994
Bond Proceeds, Held in Cash	1,116,291	-	1,116,291
Investments	83,532,630	1,484,646	85,017,276
Accrued Interest	130,370	-	130,370
	<u>87,290,402</u>	<u>1,490,529</u>	<u>88,780,931</u>
Total Restricted Assets			
Receivables			
Assessments	1,380,740	-	1,380,740
Municipal Improvement Notes	5,130	-	5,130
	<u>1,385,870</u>	<u>-</u>	<u>1,385,870</u>
Total Receivables			
Capital Assets			
Land, System, Building and Equipment	1,128,677,339	403,367,658	1,532,044,997
Construction in Progress	8,984,555	2,460,077	11,444,632
Less Accumulated Depreciation	(335,091,187)	(97,098,083)	(432,189,270)
	<u>802,570,707</u>	<u>308,729,652</u>	<u>1,111,300,359</u>
Total Capital Assets			
Total Noncurrent Assets	<u>891,246,979</u>	<u>310,220,181</u>	<u>1,201,467,160</u>
Total Assets	<u>942,123,101</u>	<u>328,783,012</u>	<u>1,270,906,113</u>
Deferred Outflows of Resources			
Deferred Outflows Related to Pension	3,635,391	920,849	4,556,240
Deferred Loss on Refundings	1,993,406	-	1,993,406
	<u>5,628,797</u>	<u>920,849</u>	<u>6,549,646</u>
Total Deferred Outflows of Resources			
Total Assets and Deferred Outflows of Resources	<u>\$ 947,751,898</u>	<u>\$ 329,703,861</u>	<u>\$ 1,277,455,759</u>

See accompanying notes.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

	<u>Sanitation</u>	<u>Storm Water</u>	<u>Total</u>
Liabilities and Deferred Inflows of Resources			
Current Liabilities			
Bond Indebtedness	\$ 12,545,000	\$ -	\$ 12,545,000
Notes Payable	7,287,189	88,634	7,375,823
Accounts Payable	3,626,049	1,018,136	4,644,185
Accrued Payroll and Benefits	768,851	198,235	967,086
Accrued Taxes and Pension	(176)	-	(176)
Compensated Absences	301,842	13,493	315,335
Accrued Interest Payable	7,727,268	2,882	7,730,150
Sales Tax Payable	(643)	-	(643)
Other Liabilities	167,636	-	167,636
Total Current Liabilities	<u>32,423,016</u>	<u>1,321,380</u>	<u>33,744,396</u>
Long-Term Liabilities (Net of Current Portion)			
Bond Indebtedness	339,745,207	-	339,745,207
Notes Payable	134,023,332	1,483,330	135,506,662
Compensated Absences	368,501	193,750	562,251
Net Pension Liability	19,554,036	4,786,240	24,340,276
Total Noncurrent Liabilities	<u>493,691,076</u>	<u>6,463,320</u>	<u>500,154,396</u>
Total Liabilities	<u>526,114,092</u>	<u>7,784,700</u>	<u>533,898,792</u>
Net Position			
Net Investment in Capital Assets	310,963,385	307,157,688	618,121,073
Restricted For			
Debt Service Funds	50,860,084	10,251	50,870,335
Operations, Infrastructure, and Insurance	32,802,827	1,474,395	34,277,222
Capital Improvement Projects and Programs	2,683,670	-	2,683,670
Other Purposes	943,821	5,883	949,704
Unrestricted	23,384,019	13,270,944	36,654,963
Total Net Position	<u>421,637,806</u>	<u>321,919,161</u>	<u>743,556,967</u>
 Total Liabilities, Deferred Inflows of Resources, and Net Position	 <u>\$ 947,751,898</u>	 <u>\$ 329,703,861</u>	 <u>\$ 1,277,455,759</u>

SANITATION DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended June 30, 2017

	<u>Sanitation</u>	<u>Storm Water</u>	<u>Total</u>
Operating Revenues			
Sewer Service Charges	\$ 79,746,166	\$ -	\$ 79,746,166
Storm Water Charges	-	12,965,299	12,965,299
Permits and Tap-In Fees	3,779,659	68,570	3,848,229
Sludge Hauling	274,630	-	274,630
Inspections	68,611	89,920	158,531
Penalties	1,295,494	170,913	1,466,407
Contractual Services	140,689	-	140,689
Bad Debt Recoveries	47,780	2,354	50,134
Other Revenues	325,303	615	325,918
	<u>85,678,332</u>	<u>13,297,671</u>	<u>98,976,003</u>
Operating Expenses			
Operation, Maintenance and Administration	34,210,185	5,766,023	39,976,208
Major Repairs and Other	383,100	493,420	876,520
Depreciation	25,964,356	14,849,118	40,813,474
	<u>60,557,641</u>	<u>21,108,561</u>	<u>81,666,202</u>
Total Operating Expenses	<u>60,557,641</u>	<u>21,108,561</u>	<u>81,666,202</u>
Operating Income (Loss)	<u>25,120,691</u>	<u>(7,810,890)</u>	<u>17,309,801</u>
Other Income (Expense)			
Interest Income	1,140,239	124,212	1,264,451
Gain (Loss) on Disposal of Capital Assets	70,436	(231,226)	(160,790)
Federal Credits on Build America Bonds	3,353,778	-	3,353,778
Pension Expense	(1,604,565)	(66,736)	(1,671,301)
Net Depreciation in Fair Market Value of Investments	<u>(638,629)</u>	<u>(16,990)</u>	<u>(655,619)</u>
Total Non-Operating Income (Expense)	<u>2,321,259</u>	<u>(190,740)</u>	<u>2,130,519</u>
Interest and Other Charges			
Interest on Long-Term Debt	16,802,281	33,935	16,836,216
Bond Issuance Costs	835,292	-	835,292
	<u>17,637,573</u>	<u>33,935</u>	<u>17,671,508</u>
Total Interest and Other Charges	<u>17,637,573</u>	<u>33,935</u>	<u>17,671,508</u>
Change in Net Position Before Capital Contributions	9,804,377	(8,035,565)	1,768,812
Capital Contributions	4,847,959	5,266,519	10,114,478
	<u>14,652,336</u>	<u>(2,769,046)</u>	<u>11,883,290</u>
Change in Net Position	<u>14,652,336</u>	<u>(2,769,046)</u>	<u>11,883,290</u>
Net Position - Beginning of Year	<u>421,637,806</u>	<u>321,919,161</u>	<u>743,556,967</u>
Net Position - End of Year	<u>\$ 436,290,142</u>	<u>\$ 319,150,115</u>	<u>\$ 755,440,257</u>

See accompanying notes.

SANITATION DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended June 30, 2016

	<u>Sanitation</u>	<u>Storm Water</u>	<u>Total</u>
Operating Revenues			
Sewer Service Charges	\$ 75,730,322	\$ -	\$ 75,730,322
Storm Water Charges	-	12,745,499	12,745,499
Permits and Tap-In Fees	3,476,425	89,906	3,566,331
Sludge Hauling	101,621	-	101,621
Inspections	97,534	119,920	217,454
Penalties	1,316,300	185,874	1,502,174
Contractual Services	136,592	-	136,592
Bad Debt Recoveries	119,103	18,900	138,003
Other Revenues	296,183	900	297,083
	<u>81,274,080</u>	<u>13,160,999</u>	<u>94,435,079</u>
Operating Expenses			
Operation, Maintenance and Administration	32,486,628	6,101,939	38,588,567
Major Repairs and Other	833,554	886,549	1,720,103
Depreciation	26,047,695	14,728,519	40,776,214
	<u>59,367,877</u>	<u>21,717,007</u>	<u>81,084,884</u>
Operating Income	<u>21,906,203</u>	<u>(8,556,008)</u>	<u>13,350,195</u>
Other Income (Expense)			
Interest Income	840,608	66,003	906,611
Transfers	17,485	(17,485)	-
Loss on Disposal of Capital Assets	(139,580)	(267,900)	(407,480)
Federal Credits on Build America Bonds	3,406,317	-	3,406,317
Pension Expense	(883,536)	(231,479)	(1,115,015)
Net Appreciation in Fair Market Value of Investments	280,893	6,569	287,462
	<u>3,522,187</u>	<u>(444,292)</u>	<u>3,077,895</u>
Interest and Other Charges			
Interest on Long-Term Debt	20,060,466	35,860	20,096,326
Amortization of Bond Discount and Expense	47,182	-	47,182
	<u>20,107,648</u>	<u>35,860</u>	<u>20,143,508</u>
Change in Net Position Before Capital Contributions	5,320,742	(9,036,160)	(3,715,418)
Capital Contributions	<u>4,373,997</u>	<u>3,863,869</u>	<u>8,237,866</u>
Change in Net Position	9,694,739	(5,172,291)	4,522,448
Net Position - Beginning of Year	<u>411,943,067</u>	<u>327,091,452</u>	<u>739,034,519</u>
Net Position - End of Year	<u>\$ 421,637,806</u>	<u>\$ 321,919,161</u>	<u>\$ 743,556,967</u>

See accompanying notes.

SANITATION DISTRICT NO. 1
STATEMENT OF CASH FLOWS
Year Ended June 30, 2017

	Business-Type Activities Enterprise Funds		
	Sanitation	Storm Water	Total
Cash Flows From Operating Activities			
Received From Customers	\$ 85,792,424	\$ 13,375,121	\$ 99,167,545
Paid to Suppliers for Goods and Services	(16,425,078)	(1,156,639)	(17,581,717)
Paid to or on Behalf of Employees for Services	(16,871,301)	(3,969,872)	(20,841,173)
Net Cash Provided by Operating Activities	52,496,045	8,248,610	60,744,655
Cash Flows From Capital and Related Financing Activities			
Proceeds Received on Notes	1,217,757	-	1,217,757
Federal Credits on Build America Bonds	3,353,778	-	3,353,778
Payments on Long Term Debt	(160,187,186)	(88,635)	(160,275,821)
Proceeds on Bond Refunding	141,450,636	-	141,450,636
Bond Issuance Costs	(835,292)	-	(835,292)
Acquisition and Construction of Capital Assets, Net of Capital Contributions	(10,937,781)	(5,886,311)	(16,824,092)
Proceeds From Sales of Capital Assets	229,710	-	229,710
Interest Paid, Net of Capitalized Interest	(20,813,858)	(34,102)	(20,847,960)
Principal Received on Assessments	59,266	-	59,266
Assessment Interest Income	39,804	-	39,804
Net Cash Flows Used by Non-Capital Financing Activities	(46,423,166)	(6,009,048)	(52,432,214)
Cash Flows From Investing Activities			
Interest Income	239,343	106,281	345,624
Proceeds From the Sale of Investments	5,312,777	-	5,312,777
Purchase of Investments	(6,071,068)	(104,647)	(6,175,715)
Net Cash Provided by Capital and Related Financing Activities	(518,948)	1,634	(517,314)
Net Change in Cash	5,553,931	2,241,196	7,795,127
Cash and Cash Equivalents July 1, 2016	34,080,820	14,683,637	48,764,457
Cash and Cash Equivalents June 30, 2017	<u>\$ 39,634,751</u>	<u>\$ 16,924,833</u>	<u>\$ 56,559,584</u>

See accompanying notes.

SANITATION DISTRICT NO. 1
STATEMENT OF CASH FLOWS
Year Ended June 30, 2017
(Continued)

	Business-Type Activities Enterprise Funds		
	Sanitation	Storm Water	Total
Reconciliation of Operating Income to Net Cash			
Provided by Operating Activities			
Operating Income (Loss)	\$ 25,120,691	\$ (7,810,890)	\$ 17,309,801
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities			
Depreciation	25,964,356	14,849,118	40,813,474
Investment Fees	83,883	2,923	86,806
Change in Assets and Liabilities			
Accounts Receivable	523,172	106,350	629,522
Accrued Unbilled Charges	(409,080)	(28,900)	(437,980)
Prepaid Items and Deposits	58,640	3,500	62,140
Due (To) From Other Funds	1,169	(1,169)	-
Accounts Payable	887,980	1,182,050	2,070,030
Accrued Payroll and Benefits	89,917	(25,758)	64,159
Compensated Absences	48,138	(28,614)	19,524
Accrued Taxes and Pension	1,342	-	1,342
Sales Tax Payable	150,929	-	150,929
Other Liabilities	(25,092)	-	(25,092)
Net Cash Provided by Operating Activities	\$ 52,496,045	\$ 8,248,610	\$ 60,744,655
Supplemental Schedule of Noncash Capital and Related Financing Activities			
Change in Fair Value of Investments	\$ 143,796	\$ 941	\$ 144,737
Investment Fees	\$ (83,883)	\$ (2,923)	\$ (86,806)
Contributions of Capital Assets	\$ 4,847,959	\$ 5,266,519	\$ 10,114,478
Capitalized Interest	\$ 117,079	\$ -	\$ 117,079
Pension Expense	\$ (1,604,565)	\$ (66,736)	\$ (1,671,301)
Amortization Expense	\$ (1,570,774)	\$ -	\$ (1,570,774)
Reconciliations of Cash and Cash Equivalents to the Statement of Net Position			
Cash and Cash Equivalents - Current	\$ 37,268,524	\$ 16,924,833	\$ 54,193,357
Cash and Cash Equivalents - Restricted	2,366,227	-	2,366,227
Cash and Cash Equivalents June 30, 2017	\$ 39,634,751	\$ 16,924,833	\$ 56,559,584

See accompanying notes.

SANITATION DISTRICT NO. 1
STATEMENT OF CASH FLOWS
Year Ended June 30, 2016

	Business-Type Activities Enterprise Funds		
	Sanitation	Storm Water	Total
Cash Flows From Operating Activities			
Received From Customers	\$ 81,610,446	\$ 13,084,674	\$ 94,695,120
Paid to Suppliers for Goods and Services	(19,502,815)	(3,363,612)	(22,866,427)
Paid to or on Behalf of Employees for Services	(14,655,920)	(3,880,618)	(18,536,538)
Net Cash Provided by Operating Activities	47,451,711	5,840,444	53,292,155
Cash Flows From Noncapital Financing Activities			
Transfers To and From Other Funds	17,486	(17,486)	-
Cash Flows From Capital and Related Financing Activities			
Principal Received on Notes	2,355,212	-	2,355,212
Federal Credits on Build America Bonds	3,406,316	-	3,406,316
Payments on Long Term Debt	(19,211,856)	(86,888)	(19,298,744)
Acquisition and Construction of Capital Assets, Net of Capital Contributions	(11,072,854)	(5,530,344)	(16,603,198)
Proceeds From Sales of Capital Assets	22,420	-	22,420
Interest Paid, Net of Capitalized Interest	(20,836,028)	(36,019)	(20,872,047)
Increase in Restricted Funds	(319,435)	-	(319,435)
Net Cash Flows Used by Capital and Related Financing Activities	(45,656,225)	(5,653,251)	(51,309,476)
Cash Flows From Investing Activities			
Investment Income	840,064	66,334	906,398
Net Decrease (Increase) in Investments	144,947	(117,844)	27,103
Net Cash Provided (Used) by Investing Activities	985,011	(51,510)	933,501
Net Change in Cash	2,797,983	118,197	2,916,180
Cash and Cash Equivalents July 1, 2015	31,282,837	14,565,440	45,848,277
Cash and Cash Equivalents June 30, 2016	<u>\$ 34,080,820</u>	<u>\$ 14,683,637</u>	<u>\$ 48,764,457</u>

See accompanying notes.

SANITATION DISTRICT NO. 1
STATEMENT OF CASH FLOWS
Year Ended June 30, 2016
(Continued)

	Business-Type Activities Enterprise Funds		
	Sanitation	Storm Water	Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income	\$ 21,906,203	\$ (8,556,008)	\$ 13,350,195
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities			
Depreciation	26,047,695	14,728,519	40,776,214
Change in Assets and Liabilities			
Accounts Receivable	(140,347)	(45,425)	(185,772)
Accrued Unbilled Charges	215,790	(30,900)	184,890
Assessments Receivable	260,923	-	260,923
Prepaid Items	(66,461)	(3,850)	(70,311)
Communities Payable	(47)	-	(47)
Accounts Payable	(879,433)	(296,135)	(1,175,568)
Accrued Payroll	15,702	44,243	59,945
Other Liabilities	91,686	-	91,686
Net Cash Provided by Operating Activities	\$ 47,451,711	\$ 5,840,444	\$ 53,292,155
Supplemental Schedule of Noncash Capital and Related Financing Activities			
Contributions of Capital Assets	\$ 4,373,997	\$ 3,863,869	\$ 8,237,866
Capitalized Interest	\$ 170,343	\$ -	\$ 170,343
Pension Expense	\$ (883,536)	\$ (231,479)	\$ (1,115,015)
Reconciliations of Cash and Cash Equivalents to the Statement of Net Position			
Cash and Cash Equivalents - Current	\$ 30,453,418	\$ 14,677,754	\$ 45,131,172
Cash and Cash Equivalents - Restricted	2,511,111	5,883	2,516,994
Bond Proceeds, Held in Cash - Restricted	1,116,291	-	1,116,291
Cash and Cash Equivalents June 30, 2016	\$ 34,080,820	\$ 14,683,637	\$ 48,764,457

See accompanying notes.

SANITATION DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Description of SD1

SD1 was created in 1946, pursuant to authority of Chapter 220 of the Kentucky Revised Statutes, as amended (the "Act"). In accordance with the Act, SD1 was established by the Director of the Division of Sanitary Engineering of the Kentucky Department of Health on December 4, 1946. A corporate charter was issued to SD1 by the Secretary of State of Kentucky on December 27, 1946, giving SD1 power to prevent and correct the pollution of streams, to regulate the flow of streams for sanitary purposes, to clean and improve stream channels for sanitary purposes and to provide for the collection and disposal of sewage and other liquid wastes produced within SD1. SD1 has power under the Act to construct sewers, trunk sewers, laterals, intercepting sewers, siphons, pumping stations, treatment and disposal works and other appropriate facilities, and to maintain, operate and repair the same.

In June, 2003, the Board approved the establishment of the Storm Water Program to develop and implement plans for the collection and disposal of storm drainage and for effective programs and policies that preserve or enhance the quality of storm water run-off, and to reduce erosion and prevent flooding.

SD1 is governed and operated by a Board of Directors, consisting of eight Directors, who serve for four-year staggered terms, and such Directors may be reappointed. Directors are appointed by the County Judges of Kenton, Boone, and Campbell Counties.

Reporting Entity

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

Basis of Accounting and Presentation

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Use of Estimates

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

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**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 \$10,053,930 and \$9,615,950 as of June 30, 2017 and 2016, 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, 2017 and 2016 because management expects no material losses.

Inventory

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

Deferred Outflows and Inflows of Resources

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

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

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 costs and depreciated over the estimated useful lives of the related assets. Contributed assets are recorded as acquisition value on the date received. Interest related to the financing of projects under construction is capitalized as part of the projects' basis in connection with the various construction projects in progress. The cost of current repairs and maintenance is charged to expense, while the cost of replacements or betterments is capitalized.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Computer Equipment/Software	3	Years
Vehicles	5 - 10	Years
Machinery and Equipment	5 - 15	Years
Office Furniture and Equipment	5 - 20	Years
Pump Station Equipment	10	Years
Land Improvements	10 - 25	Years
Treatment and Disposal Equipment	35	Years
Storm Water Assets	25 - 50	Years
Collection System	50	Years
Buildings	35 - 50	Years

The interest cost of borrowed funds used to finance construction projects is capitalized when material. Interest earned on the proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. \$117,079 and \$170,343 of interest was capitalized for the years ended June 30, 2017 and 2016, respectively.

Construction in Progress

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

Capital Contributions

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

Pensions

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

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, 2017 and 2016 were \$897,110 and \$877,586, respectively. Sick leave is not accrued because it does not vest; employees are not paid for any sick leave balance at termination of employment except at retirement.

Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986, is subject to arbitrage rebate requirements. The requirements stipulate that the earnings from the investment of tax-exempt bond proceeds which exceed related interest expenditures on the bonds must be remitted to the Federal Government on every fifth anniversary of each bond issue. SD1 has evaluated all bond issuances subject to arbitrage rebate requirements and noted no liability at both June 30, 2017 and 2016.

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

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.

Reclassifications

Certain amounts in the prior period financial statements have been reclassified for comparative purposes to conform with the presentation in current year 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, 2017 and 2016, SD1's deposits were either insured by the FDIC or fully collateralized by securities held by SD1's agent in SD1's name.

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

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, 2017 and 2016 of \$81,233,404 and \$85,017,276, respectively. The related securities totaling this amount are uninsured, unregistered, with securities held by the counterparty, or its trust department or agent but not in the entity's name.

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

SD1 is authorized by bond resolutions to invest in direct obligations of the United States, or obligations guaranteed by the United States, obligations of certain federal agencies and instrumentalities, including U.S. dollar-denominated deposits in commercial banks which are insured by the FDIC or fully collateralized by the foregoing, and public housing bonds or project notes issued by public housing authorities annual contribution contracts with the United States or by requisition or payment agreement with the United States.

NOTE 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, 2017 and 2016:

	Years Ended June 30,	
	2017	2016
Pursuant to Trust Indenture:		
Principal and Interest Accounts	\$ 19,284,201	\$ 19,841,218
Debt Service Reserve	29,689,762	31,029,116
Operation and Maintenance Fund	10,162,817	9,677,477
Improvement, Repair, and Replacement	17,947,458	17,994,101
Self Insurance Fund	6,609,345	6,605,644
Total Pursuant to Trust Indenture:	83,693,583	85,147,556
Pursuant to Other Uses:		
Capital Improvement Projects	1,379,520	2,652,803
Agreed Order/Settlement	986,718	980,572
Total Pursuant to Other Uses:	2,366,238	3,633,375
Total Restricted Assets	\$ 86,059,821	\$ 88,780,931

NOTE 4 – FAIR VALUE MEASUREMENT

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

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

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

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

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

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

The following table sets forth by level, within the fair value hierarchy, SD1's assets at fair value at June 30, 2017:

	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	\$ -	\$ 20,199,077	\$ -	\$ 20,199,077
Municipal Bonds	-	5,474,023	-	5,474,023
Treasury Bonds	-	28,199,813	-	28,199,813
Agency Bonds	-	29,659,004	-	29,659,004
Total Investments at Fair Value	\$ -	\$ 83,531,917	\$ -	\$ 83,531,917

The following table sets forth by level, within the fair value hierarchy, SD1's assets at fair value at June 30, 2016:

Cash and Cash Equivalents	\$ -	\$ 20,483,709	\$ -	\$ 20,483,709
Municipal Bonds	-	5,803,406	-	5,803,406
Treasury Bonds	-	27,421,766	-	27,421,766
Agency Bonds	-	31,308,395	-	31,308,395
Total Investments at Fair Value	\$ -	\$ 85,017,276	\$ -	\$ 85,017,276

NOTE 5 – CAPITAL ASSETS

Capital asset activity for SD1 for the year ended June 30, 2017, was as follows:

Sanitation Fund	Balance June 30, 2016	Additions	Retirements/ Transfers	Balance June 30, 2017
Capital Assets Not Being Depreciation				
Land	\$ 15,125,674	\$ 152,397	\$ -	\$ 15,278,071
Construction in Progress	8,984,555	10,627,543	11,166,780	8,445,318
Total Capital Assets Not Being Depreciated	24,110,229	10,779,940	11,166,780	23,723,389
Depreciable Capital Assets				
Land Improvements	3,249,751	737,151	-	3,986,902
Collection System	679,709,357	14,232,163	555,612	693,385,908
Pumping System	97,798,125	511,268	98,951	98,210,442
Treatment and Disposal	263,994,437	380,973	106,042	264,269,368
General Buildings and Structures	30,028,238	-	-	30,028,238
Office Furniture and Equipment	7,571,419	171,431	-	7,742,850
Vehicle and Accessories	9,753,125	28,633	929,530	8,852,228
Machinery and Equipment	5,538,344	229,047	375,513	5,391,878
Software Model Development	15,908,869	-	-	15,908,869
Total Depreciable Capital Assets	1,113,551,665	16,290,666	2,065,648	1,127,776,683
Total Capital Assets at Historical Cost	1,137,661,894	27,070,606	13,232,428	1,151,500,072
Less Accumulated Depreciation				
Land Improvements	1,724,145	62,429	-	1,786,574
Collection System	165,176,207	13,924,726	472,281	178,628,652
Pumping System	41,952,508	4,593,863	98,951	46,447,420
Treatment and Disposal	76,142,502	5,940,843	64,746	82,018,599
General Buildings and Structures	15,039,381	501,852	-	15,541,233
Office Furniture and Equipment	6,211,401	235,808	-	6,447,209
Vehicle and Accessories	8,894,194	427,164	923,333	8,398,025
Machinery and Equipment	4,041,980	277,671	347,063	3,972,588
Software Model Development	15,908,869	-	-	15,908,869
Total Accumulated Depreciation	335,091,187	25,964,356	1,906,374	359,149,169
Depreciable Capital Assets, Net	778,460,478	(9,673,690)	159,274	768,627,514
Sanitation Fund Capital Assets, Net	\$ 802,570,707	\$ 1,106,250	\$ 11,326,054	\$ 792,350,903

NOTE 5 – CAPITAL ASSETS (Continued)

Storm Water Fund	Balance June 30, 2016	Additions	Retirements/ Transfers	Balance June 30, 2017
Capital Assets Not Being Depreciated				
Land	\$ 720,023	\$ 141,915	\$ -	\$ 861,938
Construction in Progress	2,460,077	5,884,393	4,875,178	3,469,292
Total Capital Assets Not Being Depreciated	3,180,100	6,026,308	4,875,178	4,331,230
Depreciable Capital Assets				
Vehicles	52,499	-	(31,354)	83,853
Machinery and Equipment	74,201	4,497	(24,343)	103,041
Storm Water Collection System	396,875,775	9,996,208	752,500	406,119,483
Software Model Development	5,645,160	-	-	5,645,160
Total Depreciable Capital Assets	402,647,635	10,000,705	696,803	411,951,537
Total Capital Assets at Historical Cost	405,827,735	16,027,013	5,571,981	416,282,767
Less Accumulated Depreciation				
Vehicles	31,224	10,494	(31,354)	73,072
Machinery and Equipment	17,008	8,634	(23,348)	48,990
Storm Water Collection System	91,404,691	14,829,990	521,274	105,713,407
Software Model Development	5,645,160	-	-	5,645,160
Total Accumulated Depreciation	97,098,083	14,849,118	466,572	111,480,629
Depreciable Capital Assets, Net	305,549,552	(4,848,413)	230,231	300,470,908
Storm Water Fund Capital Assets, Net	\$ 308,729,652	\$ 1,177,895	\$ 5,105,409	\$ 304,802,138

NOTE 6 – NOTES RECEIVABLE

SD1 has, at the request of homeowners, extended sanitary sewer service into existing areas for which there was no previous service. SD1 paid the initial cost of this construction and assessed the homeowners to recover the cost of construction. The following is a schedule of assessments and improvements outstanding to SD1 as of June 30, 2017 and 2016.

	Years Ended June 30,	
	2017	2016
Assessments	\$ 1,321,474	\$ 1,380,740
Improvement Notes	5,130	5,130
Total	\$ 1,326,604	\$ 1,385,870

NOTE 7 – LONG-TERM DEBT**Bonds**Revenue Bonds, Series 2005A

In June, 2005, bonds in the total amount of \$35,175,000 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 2005A Bonds, together with other available funds, were used to (1) advance refund a portion of the outstanding Series 1998A Bonds (being the Series 1998A Bonds maturing on August 1st in the years 2009 through 2018) and (2) pay the necessary costs and expenses incident to the issuance and delivery of the Series 2005A Bonds.

The bonds were refunded in November, 2016 by the Refunding Revenue Bonds, Series 2016.

Revenue Bonds, Series 2006

In October, 2006, bonds in the total amount of \$50,000,000 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 2006 Bonds, together with other available funds, were used to (1) provide funds to meet certain capital construction costs of SD1, (2) fund the Debt Service Reserve Fund, and (3) pay the necessary costs and expenses incident to the issuance and delivery of the Series 2006 Bonds.

The bonds were refunded in November, 2016 by the Refunding Revenue Bonds, Series 2016.

Revenue Bonds, Series 2007

In December, 2007, bonds in the total amount of \$102,000,000 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 2007 Bonds, together with other available funds, were used to (1) provide funds to meet certain capital construction costs of SD1, (2) fund the Debt Service Reserve Fund, and (3) pay the necessary costs and expenses incident to the issuance and delivery of the Series 2007 Bonds.

The bonds were refunded in November, 2016 by the Refunding Revenue Bonds, Series 2016.

Revenue Bonds, Series 2009

In August, 2009, bonds in the total amount of \$54,880,000 were issued under authority of applicable Kentucky Revised Statutes and in accordance with authorized bond resolutions duly passed and adopted by the Board of Directors of SD1. These bonds qualify for a Federal Reimbursement of interest expense of 35% of the bi-annual interest expense.

The proceeds for the sale of the Series 2009 Bonds, together with other available funds, were used to (1) provide funds to meet certain capital construction costs of SD1, (2) fund the Debt Service Reserve Fund, and (3) pay the necessary costs and expenses incident to the issuance and delivery of the Series 2009 Bonds.

NOTE 7 – LONG-TERM DEBT (Continued)Revenue Bonds, Series 2010A

In May, 2010, bonds in the total amount of \$75,000,000 were issued under authority of applicable Kentucky Revised Statutes and in accordance with authorized bond resolutions duly passed and adopted by the Board of Directors of SD1. These bonds qualify for a Federal Reimbursement of interest expense of 35% of the bi-annual interest expense.

The proceeds for the sale of the Series 2010A Bonds, together with other available funds, were used to (1) provide funds to meet certain capital construction costs of SD1, (2) fund the Debt Service Reserve Fund, and (3) pay the necessary costs and expenses incident to the issuance and delivery of the Series 2010A Bonds.

Refunding Revenue Bonds, Series 2010B

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

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

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

Build America Bonds, Series 2010C

In December, 2010, bonds in the total amount of \$19,600,000 were issued under authority of applicable Kentucky Revised Statutes and in accordance with authorized bond resolutions duly passed and adopted by the Board of Directors of SD1. These bonds qualify for a Federal Reimbursement of interest expense of 35% of the bi-annual interest expense.

The proceeds for the sale of the Series 2010C Bonds, together with other available funds, were used to (1) provide funds to meet certain capital construction costs of SD1, (2) fund the Debt Service Reserve Fund, and (3) pay the necessary costs and expenses incident to the issuance and delivery of the Series 2010C Bonds.

Recovery Zone Economic Development Bonds, Series 2010D

In December, 2010, bonds in the total amount of \$40,905,000 were issued under authority of applicable Kentucky Revised Statutes and in accordance with authorized bond resolutions duly passed and adopted by the Board of Directors of SD1. These bonds qualify for a Federal Reimbursement of interest expense between 43% and 45% of the bi-annual interest expense. The first principal payment will not be made until 2025.

The proceeds for the sale of the Series 2010D Bonds, together with other available funds, were used to (1) provide funds to meet certain capital construction costs of SD1, (2) fund the Debt Service Reserve Fund, and (3) pay the necessary costs and expenses incident to the issuance and delivery of the Series 2010D Bonds.

NOTE 7 – LONG-TERM DEBT (Continued)Refunding Revenue Bonds, Series 2016

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

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

The reacquisition price exceeded the net carrying amount of the refunded debt by \$5,176,926. This amount is amortized over the remaining life of the new debt. The refunding reduces its total debt service over 11 years by \$35,685,611 and obtains an economic gain (difference between the present values of the old and new debt service) of \$22,486,030.

The original amount of each outstanding issue, the issue date, interest rates and outstanding balances at June 30, 2017 are summarized below:

<u>Issue Date</u>	<u>Original Amount</u>	<u>Interest</u>	<u>Outstanding Balance at June 30, 2017</u>	<u>Outstanding Balance at June 30, 2016</u>
Series 2005 A	\$ 35,175,000	4.00 - 4.25%	\$ -	\$ 11,770,000
Series 2006	\$ 50,000,000	4.30 - 4.38%	-	41,855,000
Series 2007	\$ 102,000,000	4.00 - 5.00%	-	93,140,000
Series 2009	\$ 54,800,000	1.70 - 7.13%	46,815,000	48,055,000
Series 2010 A	\$ 75,000,000	1.00 - 6.25%	64,940,000	66,690,000
Series 2010 B	\$ 42,310,000	2.00 - 4.00%	33,830,000	35,525,000
Series 2010 C	\$ 19,600,000	0.80 - 4.85%	11,185,000	12,635,000
Series 2010 D	\$ 40,905,000	5.10 - 6.30%	40,905,000	40,905,000
Series 2016	\$ 124,990,000	3.00 - 5.00%	124,990,000	-
Plus: Unamortized Bond Premium			17,189,417	2,588,679
Less: Unamortized Bond Discounts			-	(873,472)
			<u>\$ 339,854,417</u>	<u>\$ 352,290,207</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, 2017 for debt service (principal and interest) are as follows:

<u>Years</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Federal Rebate</u>	<u>Sequester Reduction</u>	<u>Total Debt Service</u>
2018	\$ 12,495,000	\$ 16,155,967	\$ (3,564,887)	\$ 240,679	\$ 25,326,759
2019	12,980,000	15,599,827	(3,497,069)	230,807	25,313,565
2020	10,535,000	15,078,779	(3,423,268)	225,936	22,416,447
2021	10,945,000	14,585,771	(3,343,404)	220,665	22,408,032
2022	11,390,000	14,053,890	(3,257,696)	215,008	22,401,202
2023-2027	64,485,000	61,257,625	(14,777,427)	975,310	111,940,508
2028-2032	79,645,000	42,966,144	(11,422,299)	753,872	111,942,717
2033-2037	79,490,000	22,930,273	(7,012,604)	462,832	95,870,501
2038-2041	40,700,000	4,528,040	(1,712,625)	107,208	43,622,623
Total	<u>\$ 322,665,000</u>	<u>\$ 207,156,316</u>	<u>\$ (52,011,279)</u>	<u>\$ 3,432,317</u>	<u>\$ 481,242,354</u>

NOTE 7 – LONG-TERM DEBT (Continued)**Notes Payable**Eastern Regional Waste Water Reclamation Facility Loan A04-09

SD1 partnered with the Kentucky Infrastructure Authority to fund construction of the Eastern Regional Wastewater Reclamation Facility (ERWRF). This Kentucky Infrastructure Authority Loan bears an interest rate of 3.0% with interest-only payments due until completion, with final maturity due 20 years after completion. As of June, 2008, all funds have been received.

Western Regional Waste Water Reclamation Facility Loan A08-04

During the year ended June 30, 2009, SD1 partnered with the Kentucky Infrastructure Authority to fund construction of the Western Regional Wastewater Reclamation Facility (WRWRF). This Kentucky Infrastructure Authority Loan bears an interest rate of 1.0% with interest-only payments due until completion, with final maturity due 20 years after completion. As of December, 2013, all funds have been received.

Dry Creek Waste Water Treatment Plant Loan A09-04

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

Sunnybrook Sewer System Loan A09-05

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

Southfork Gunpowder Creek Loan A09-06

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

Frogtown Interceptor Loan A09-07

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

Turkeyfoot/Industrial Road Loan A09-08

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

NOTE 7 – LONG-TERM DEBT (Continued)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. Payments will not begin until one year after initial operation of the project, and therefore a maturity date has not been determined.

Lakeside Park, Vernon Lane Loan A11-14

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

Wolpert Force Main Loan A12-02

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

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

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

NOTE 7 – LONG-TERM DEBT (Continued)American Recovery and Reinvestment Act – Loans A209-01 through A209-04

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

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

<u>Years</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Debt Service</u>
2018	\$ 7,506,790	\$ 2,329,147	\$ 9,835,937
2019	7,640,531	2,180,326	9,820,857
2020	7,777,112	2,028,396	9,805,508
2021	7,916,602	2,762,595	10,679,197
2022	8,059,071	1,714,909	9,773,980
2023-2027	42,541,802	6,079,294	48,621,096
2028-2032	35,528,688	2,234,365	37,763,053
2033-2036	<u>7,745,144</u>	<u>133,178</u>	<u>7,878,322</u>
Total	<u>\$ 124,715,740</u>	<u>\$ 19,462,210</u>	<u>\$ 144,177,950</u>

NOTE 7 – LONG-TERM DEBT (Continued)

Changes in long-term liabilities are as follows:

	Debt Outstanding June 30, 2016	Additions of New Debt	Retirements and Repayments	Debt Outstanding June 30, 2017	Amounts Due Within 1 Year
Bond Indebtedness					
Series 2005 REF	\$ 11,770,000	\$ -	\$ 11,770,000	\$ -	\$ -
Series 2006 A	41,855,000	-	41,855,000	-	-
Series 2006 Bond Discount	(873,472)	-	(873,472)	-	-
Series 2007 A	93,140,000	-	93,140,000	-	-
Series 2007 Bond Premium	900,901	-	900,901	-	-
Series 2009 A BAB	48,055,000	-	1,240,000	46,815,000	1,280,000
Series 2009 Bond Premium	101,861	-	39,277	62,584	39,579
Series 2010 A BAB	66,690,000	-	1,750,000	64,940,000	1,795,000
Series 2010 A Bond Premium	258,206	-	59,689	198,517	59,374
Series 2010 B REF	35,525,000	-	1,695,000	33,830,000	1,735,000
Series 2010 B Bond Premium	951,621	-	222,338	729,283	214,112
Series 2010 C BAB	12,635,000	-	1,450,000	11,185,000	1,475,000
Series 2010 D RZED	40,905,000	-	-	40,905,000	-
Series 2010 C&D Bond Premium	376,090	-	74,892	301,198	75,525
Series 2016 REF	-	124,990,000	-	124,990,000	6,210,000
Series 2016 Bond Premium	-	16,460,636	562,801	15,897,835	2,350,669
Total Bond Indebtedness	<u>352,290,207</u>	<u>141,450,636</u>	<u>153,886,426</u>	<u>339,854,417</u>	<u>15,234,259</u>
Notes Payable					
KIA Loan A04-09	20,889,624	-	1,546,092	19,343,532	1,592,823
KIA Loan A08-04	59,854,823	-	3,246,944	56,607,879	3,279,495
KIA Loan A09-04	3,980,906	-	221,451	3,759,455	225,902
KIA Loan A09-05	4,168,119	-	250,458	3,917,661	255,492
KIA Loan A09-06	11,132,611	-	555,832	10,576,779	567,005
KIA Loan A09-07	4,029,350	-	208,366	3,820,984	212,555
KIA Loan A09-08	1,878,865	-	93,809	1,785,056	95,694
KIA Loan A09-09	7,053,679	-	352,178	6,701,501	359,257
KIA Loan A10-11	14,661,641	-	684,123	13,977,518	697,874
KIA Loan A11-13	9,686,902	-	-	9,686,902	-
KIA Loan A11-14	1,104,022	1,217,757	-	2,321,779	-
KIA Loan A12-02	726,159	-	37,551	688,608	38,306
KIA Loan A15-103	2,143,820	-	90,382	2,053,438	91,970
KIA Loan A209-02	531,893	-	29,589	502,304	30,183
KIA Loan A209-03	563,760	-	32,576	531,184	33,231
KIA Loan A209-01	144,438	-	8,679	135,759	8,854
KIA Loan A209-04	331,873	-	17,791	314,082	18,149
Total Notes Payable	<u>142,882,485</u>	<u>1,217,757</u>	<u>7,375,821</u>	<u>136,724,421</u>	<u>7,506,790</u>
Compensated Absences	<u>877,586</u>	<u>280,989</u>	<u>261,465</u>	<u>897,110</u>	<u>322,350</u>
Net Pension Liability	<u>24,340,276</u>	<u>2,493,185</u>	<u>-</u>	<u>26,833,461</u>	<u>-</u>
Total Long-Term Liabilities	<u>\$ 520,390,554</u>	<u>\$ 145,442,567</u>	<u>\$ 161,523,712</u>	<u>\$ 504,309,409</u>	<u>\$ 23,063,399</u>

NOTE 8 – PENSION PLAN**General Information about the Pension Plan**

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

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

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

Age	Years of Service	Allowance Reduction
65	4	None
Any	27	None
55	5	6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service.
Any	25	6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service.

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

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

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

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

NOTE 8 – PENSION PLAN

Benefit Formula for Tiers 1

Final Compensation	X	Benefit Factor	X	Years of Service
Average of the five highest 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).

Benefit Formula for Tiers 2

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

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

Benefit Formula for Tiers 3

(A-B) = C X 75% = D then B+D = Interest					
A	B	C	D	Interest Rate	Total Interest
5 Year Geometric Average Return	2016 Rate	Upside Sharing Interest	Interest Rate Earned	Earned (4% + Upside)	Credited to Members'
5.16%	4.00%	1.16%	0.87%	4.87%	\$ 672,783

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 08/01/2004 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 08/01/2004 but before 01/01/2014 may retire on account of disability provided the member has at least 60 months of service credit. Benefits are computed as the highest of 20% for nonhazardous and 25% for hazardous of Final Rate of Pay or the amount calculated under the Benefit Formula based upon actual service. Members participating on or after 01/01/2014 may retire on account of disability provided the member has at least 60 months of service credit. The hypothetical account which includes member contributions, employer contributions, and interest credits can be withdrawn from the System as a lump sum or an annuity equal to the larger of 20% for nonhazardous and 25% for hazardous of the member's monthly final rate of pay or the annuitized hypothetical account into a single life annuity option. Members disabled as a result of a single duty-related injury or act of violence related to their job may be eligible for special benefits.

NOTE 8 – 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. 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.

Contributions: For the fiscal years ended June 30, 2017 and 2016, plan members who began participating prior to September 1, 2008, were required to contribute 5% nonhazardous and 8% hazardous of their annual creditable compensation. These members were classified in the Tier 1 structure of benefits.

Tier 2 members were required to contribute a total of 6% for non-hazardous of their annual creditable compensation while 1% 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% contribution to the 401(h) account is non-refundable and is forfeited. For plan members who began participating prior to September 1, 2008, their contributions remain at 5% for non-hazardous of their annual creditable compensation.

Tier 3 members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. 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% non-hazardous of their annual creditable compensation and 1% 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 a 4% non-hazardous employer pay credit. The employer pay credit represents a portion of the employer contribution.

Participating employers were required to contribute at an actuarially determined rate for CERS pensions. Per Kentucky Revised Statute Section CERS 78.545 (33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the fiscal year ended June 30, 2017, participating employers contributed 18.68% (13.95% pension fund and 4.73% insurance fund) for the non-hazardous system of each employee's creditable compensation. For the fiscal year ended June 30, 2016, participating employers contributed 17.06% (12.42% pension fund and 4.64% insurance fund) for the non-hazardous system of each employee's creditable compensation. The actuarially determined rates set by the Board for the fiscal years were a percentage of each employee's creditable compensation. Contributions to the pension fund from SD1 excluding insurance contributions were \$1,860,735 and \$1,644,572 for the years ended June 30, 2017 and 2016, respectively.

NOTE 8 – PENSION PLAN (Continued)**Plan Information for June 30, 2017 Financial Statements****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2017, SD1 reported a liability of \$26,833,461, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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 SD1's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2017, SD1's proportion for the nonhazardous system was 0.544995%.

Change of Benefit Terms: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016 are listed below:

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

- 1) Tiered structure for benefit accrual rates
- 2) New retirement eligibility requirements
- 3) Different rules for the computation of final average compensation

2014: A cash balance plan was introduced for members whose participation date is on or after January 1, 2014.

For the year ended June 30, 2017, SD1 recognized pension expense of \$1,671,301. At June 30, 2017, SD1 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ 2,522,620	\$ -
Difference Between Expected and Actual Experience	117,149	-
Changes of Assumptions	1,421,494	-
Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	22,109	565,983
Contributions After Measurement Date	<u>1,860,735</u>	<u>-</u>
Total	<u>\$ 5,944,107</u>	<u>\$ 565,983</u>

NOTE 8 – PENSION PLAN (Continued)

The \$1,860,735 reported as deferred outflows of resources related to pensions resulting from SD1 contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30,	
2018	\$ 1,043,422
2019	1,043,422
2020	799,889
2021	<u>630,656</u>
Total	<u>\$ 3,517,389</u>

Actuarial assumptions: The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date:	June 30, 2016
Experience Study:	July 1, 2008 – June 30, 2013
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Percentage of Payroll, Closed
Remaining Amortization Period:	27 Years
Asset Valuation Method:	5-Year Smoothed Market
Inflation:	3.25%
Salary Increase:	4.00%, Average, Including Inflation
Investment Rate of Return:	7.50% Net of Pension Plan Investment Expense, Including Inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For health retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five year for KRS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, at 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.

NOTE 8 – PENSION PLAN (Continued)

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

Asset Class	Target Allocation	Long Term Expected Nominal Return
Combined Equity	44.00 %	5.40 %
Combined Fixed Income	19.00	1.50
Real Return (Diversified Inflation Strategies)	10.00	3.50
Real Estate	5.00	4.50
Absolute Return (Diversified Hedge Funds)	10.00	4.25
Private Equity	10.00	8.50
Cash Equivalent	2.00	(0.25)
Total	<u>100.00 %</u>	

Discount rate: The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 27 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate determination does not use a municipal bond rate. The periods of projected benefit payments for all current plan members were projected through 2117.

Sensitivity of SD1's proportionate share of the net pension liability to changes in the discount rate: The following presents SD1's proportionate share of the net pension liability using the discount rate of 7.50%, as well as what SD1's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Nonhazardous	\$ 33,438,853	\$ 26,833,461	\$ 21,171,348

Plan Information for June 30, 2016 Financial Statements**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2016, SD1 reported a liability of \$24,340,276, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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 SD1's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2016, SD1's proportion for the nonhazardous system was 0.566115%.

NOTE 8 – PENSION PLAN (Continued)

Change of Benefit Terms: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015 are listed below:

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

- 1) Tiered structure for benefit accrual rates
- 2) New retirement eligibility requirements
- 3) Different rules for the computation of final average compensation

2014: A cash balance plan was introduced for members whose participation date is on or after January 1, 2014.

For the year ended June 30, 2016, SD1 recognized pension expense of \$2,753,116. At June 30, 2016, SD1 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ 2,454,451	\$ -
Difference Between Expected and Actual Experience	202,276	-
Changes of Assumptions	218,191	-
Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	36,751	-
Contributions After Measurement Date	<u>1,644,572</u>	<u>-</u>
Total	<u>\$ 4,556,241</u>	<u>\$ -</u>

The \$1,644,572 reported as deferred outflows of resources related to pensions resulting from SD1 contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30,	
2017	\$ 999,509
2018	999,509
2019	473,691
2020	<u>438,960</u>
Total	<u>\$ 2,911,669</u>

NOTE 8 – PENSION PLAN (Continued)

Actuarial assumptions: The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date:	June 30, 2015
Experience Study:	July 1, 2008 – June 30, 2013
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Percentage of Payroll, Closed
Remaining Amortization Period:	28 Years
Asset Valuation Method:	5-Year Smoothed Market
Inflation:	3.25%
Salary Increase:	4.00%, Average, Including Inflation
Investment Rate of Return:	7.50% Net of Pension Plan Investment Expense, Including Inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For health retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five year for KRS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, at 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.

NOTE 8 – PENSION PLAN (Continued)

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

Asset Class	Target Allocation	Long Term Expected Nominal Return
Combined Equity	44.00 %	5.40 %
Combined Fixed Income	19.00	1.50
Real Return (Diversified Inflation Strategies)	10.00	3.50
Real Estate	5.00	4.50
Absolute Return (Diversified Hedge Funds)	10.00	4.25
Private Equity	10.00	8.50
Cash Equivalent	2.00	(0.25)
Total	<u>100.00 %</u>	

Discount rate: The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 27 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate determination does not use a municipal bond rate. The periods of projected benefit payments for all current plan members were projected through 2117.

Sensitivity of SD1's proportionate share of the net pension liability to changes in the discount rate: The following presents SD1's proportionate share of the net pension liability using the discount rate of 7.50%, as well as what SD1's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Nonhazardous	\$ 31,073,386	\$ 24,340,276	\$ 18,573,964

NOTE 8 – PENSION PLAN (Continued)

Changes of assumptions: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated. The changes are noted below.

- 1) The assumed investment rate of return was decreased from 7.75% to 7.50%.
- 2) The assumed rate of inflation was reduced from 3.50% to 3.25%.
- 3) The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- 4) Payroll growth assumption was reduced from 4.50% to 4.00%.
- 5) The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- 6) For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2014 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 3 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigations is conducted.
- 7) The assumed rates of Retirement, Withdrawal, and Disability were updated to more accurate reflect experience.

Payables to the Pension Plan

At June 30, 2017 and 2016, SD1 did not have any required contributions payable to the pension plan for the years then ended.

Pension Plan Fiduciary Net Position

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

NOTE 9 – LESSOR AGREEMENT

SD1 entered into a lease agreement with the Kenton County Board of Education to lease 15,000 square feet of its building on July 1, 2017 through June 30, 2022. Previously, SD1 had an original agreement with a term of July 1, 2007 through July 1, 2012 and an option to renew at the end of the full term for an additional five years. The Board of Education did renew its lease with SD1 for the period July 1, 2012 through June 30, 2017.

Future minimum rentals to be received are as follows:

Years Ending June 30,	
2018	\$ 148,368
2019	152,819
2020	157,404
2021	162,126
2022	<u>166,989</u>
Total	<u>\$ 787,706</u>

NOTE 10 – OPERATING LEASES

SD1 is obligated under certain non-cancelable leases for equipment. The leases expire at various dates through August, 2019. Lease expense for the years ended June 30, 2017 and 2016 were \$37,660 and \$38,028, respectively.

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

Years Ending June 30,		
2018	\$	41,175
2019		37,138
2020		<u>2,828</u>
Total	\$	<u><u>81,141</u></u>

NOTE 11 – 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 15 new agreements totaling \$977,081 for the year ended June 30, 2017 and 15 new agreements totaling \$659,228 for the year ended June 30, 2016.

SD1 has also partnered with communities, organizations, and businesses to increase the utilization of “green infrastructure”. Through Green Initiative Project Partnerships (GrIPP), SD1 expended \$0- in both years ended June 30, 2017 and 2016.

NOTE 12 – 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 13 – 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.

SD1 offers a Health Reimbursement Account to full time eligible employees for out of pocket healthcare costs. SD1 annually credits various amounts to the accounts of eligible employees based on their participation in wellness programs. Once credited, the contributions become 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 \$447,570 and \$438,797 has been recorded in the accompanying financial statements which is management’s estimate of the unspent balances as of June 30, 2017 and 2016, respectively, that are likely to be paid in future periods.

NOTE 13 – CONTINGENCIES (Continued)

After a routine internal sales tax review, SD1 discovered a technological incompatibility in the process used to transfer data from the Northern Kentucky Water District to SD1's billing software that caused multiple taxable accounts to incorrectly appear as tax exempt during some billing periods from 2012 to 2016. As a result, the required sales tax for these accounts for wastewater and storm water services were not charged correctly and resulted in a shortfall to the Kentucky Department of Revenue. SD1 has identified the affected accounts and is in the process of adding the amounts to all accounts. As amounts are added, SD1 will meet state requirements and pay all sales tax to the Kentucky Department of Revenue. Collection efforts continue to occur. The uncollectible amount will not be known until all collection efforts have been exhausted; however any shortfall will not materially affect the operation of SD1.

NOTE 14 – LITIGATION

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

SD1 is the defendant in 13 separate lawsuits relating to matters arising in the normal course of business. SD1 intends to aggressively defend each of these suits, and financial contingencies that could be awarded in 12 of the lawsuits are covered, at least in part, by SD1's insurance company.

SD1 is a party to a breach of contract suit involving two other parties in the construction of a storm water pipe as part of a development project in the City of Dayton, Kentucky. Motion to dismiss has been granted to SD1 and the appeals court affirmed the decision. The Kentucky Supreme Court reversed the lower court decision and remanded it to the lower court. Fact discovery has been completed with the exception of two witnesses. Expert discovery is underway. Under the Court's Scheduling Order, all Motions for Summary Judgment must be filed by September 22, 2017. The case remains set for trial on February 27, 2018 and is expected to last four (4) weeks.

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

NOTE 14 – LITIGATION (Continued)

The owner of a shopping center development has claimed that storm water lines running through its property should be maintained by SD1. SD1 has denied this claim and the shopping center owner filed suit in Campbell County Circuit court. The trial court sustained SD1's motion for summary judgment on all of plaintiff's claims, with the exception of a negligent maintenance/repair claim. Trial took place in October, 2016, with the Court dismissing the case on a Rule 41.02 motion. Plaintiffs appealed the ruling and briefing has been completed. SD1 is waiting on further action by the Court of Appeal as to whether a decision will be made on the pleadings or if there will be oral argument.

Property owners in Covington, Kentucky, along with the insurers for the Covington Independent School District have filed a punitive class action suit against SD1 asserting claims of negligence, inverse condemnation, trespass, and nuisance arising from flooding which occurred as a result of two significant rainfall events in July, 2010. The plaintiffs seek class certification, compensatory damages, and injunctive relief. This trial is set for January, 2017. A framework for settlement is being explored before the costs of class action certification and merits discovery are incurred.

A consortium of property owners in Camp Springs, Kentucky have filed a complaint and temporary restraining order and injunction in Franklin Circuit Court to prevent the Kentucky Infrastructure Authority from releasing loan funds from the State Revolving Loan Fund to SD1 for construction of the Ash Street Pump Station Project. The suit claims that SD1 did not properly consider alternative force main routes and environmental concerns, and that the KIA commitment letter as allowed to expire and certain funding conditions were not met. SD1 is vigorously defending these claims and has submitted a motion to dismiss on various jurisdictional grounds.

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

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

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

NOTE 15 – INSURANCE IN FORCE

SD1 has the following insurance policies in force during the years ended June 30, 2017 and 2016:

Type of Coverage	Amount of Coverage	
	2017	2016
Property-Buildings, Pump Stations, Machinery	\$ 324,881,668	\$ 320,080,453
Earthquake	50,000,000	50,000,000
Equipment Breakdown	50,000,000	50,000,000
Flood	50,000,000	50,000,000
Vehicles	10,000,000	26,000,000
Environmental Impairment	25,000,000	25,000,000
Public Entity Management Liability	10,000,000	26,000,000
General Liability, Aggregate	26,000,000	26,000,000
Scheduled Equipment	5,968,498	6,211,428
Pipeline Policy	5,000,000	5,000,000
Employer's Liability	10,000,000	4,000,000
Crime - Employee Dishonesty	3,000,000	3,000,000
Cyber Liability	3,000,000	3,000,000
Property- Building Contents	2,658,827	2,656,480
EDP-Hardware, Software	1,350,000	1,350,000
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

REQUIRED SUPPLEMENTAL INFORMATION

SANITATION DISTRICT NO. 1
SCHEDULE OF SD1'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
June 30, 2017

County Employees Retirement System
Last 3 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>
SD1's Proportion of the Net Pension Liability	0.544995%	0.566115%	0.564690%
SD1's Proportionate Share of the Net Pension Liability	\$ 26,833,461	\$ 24,340,276	\$ 18,320,686
SD1's Covered - Employee Payroll	\$ 13,241,319	\$ 13,307,431	\$ 12,954,902
SD1's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	202.65%	182.91%	141.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	55.50%	59.97%	66.80%

See accompanying notes.

SANITATION DISTRICT NO. 1
SCHEDULE OF SD1'S CONTRIBUTIONS
June 30, 2017

County Employees Retirement System
Last 3 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 1,860,735	\$ 1,644,572	\$ 1,696,697	\$ 1,780,004
Contributions in Relation to the Contractually Required Contribution	<u>(1,860,735)</u>	<u>(1,644,572)</u>	<u>(1,696,697)</u>	<u>(1,780,004)</u>
Contribution Deficiency (Excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
SD1's Covered-Employee Payroll	\$ 13,338,602	\$ 13,241,319	\$ 13,307,431	12,954,902
Contributions as a Percentage of Covered-Employee Payroll	13.95%	12.42%	12.75%	13.74%

See accompanying notes.

OTHER SUPPLEMENTAL INFORMATION

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL
GENERAL REVENUES
Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues			
Sewer Service Charges	\$ 75,725,000	\$ 77,401,456	\$ 1,676,456
Storm Water Charges	12,575,000	12,965,299	390,299
Surcharges	2,941,500	2,344,710	(596,790)
Capacity Connection Fees	2,900,000	3,440,431	540,431
Penalties	1,493,000	1,459,107	(33,893)
Fines	14,500	7,300	(7,200)
Inspections	200,000	158,531	(41,469)
Permits	410,500	407,798	(2,702)
Contractual Services	150,000	140,689	(9,311)
Sludge Hauling	90,000	274,630	184,630
Bad Debt Recoveries	130,000	50,134	(79,866)
Other Revenues	<u>50,000</u>	<u>325,918</u>	<u>275,918</u>
Total Revenues	<u>\$ 96,679,500</u>	<u>\$ 98,976,003</u>	<u>\$ 2,296,503</u>

See accompanying notes.

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL
GENERAL REVENUES
Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget (Unfavorable) Favorable</u>
Revenues			
Sewer Service Charges	\$ 73,850,000	\$ 72,905,636	\$ (944,364)
Storm Water Charges	12,575,000	12,745,499	170,499
Surcharges	3,072,000	2,824,686	(247,314)
Capacity Connection Fees	1,950,000	3,132,618	1,182,618
Penalties	1,590,000	1,487,424	(102,576)
Fines	6,500	14,750	8,250
Inspections	100,000	217,454	117,454
Permits	424,300	433,713	9,413
Project Reimbursements	1,500,000	-	(1,500,000)
Contractual Services	150,000	136,592	(13,408)
Sludge Hauling	60,000	101,621	41,621
Bad Debt Recoveries	59,000	138,003	79,003
Other Revenues	50,000	297,083	247,083
	<u> </u>	<u> </u>	<u> </u>
Total Revenues	<u>\$ 95,386,800</u>	<u>\$ 94,435,079</u>	<u>\$ (951,721)</u>

See accompanying notes.

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL
OPERATION, MAINTENANCE, AND ADMINISTRATION
DRY CREEK TREATMENT PLANT OPERATIONS
Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
Expenses			
Salaries and Wages	\$ 2,251,370	\$ 2,166,791	\$ 84,579
Medical and Dental Self Insured Plan	673,305	869,933	(196,628)
Pension Plan	401,967	371,932	30,035
Payroll Taxes	174,142	156,411	17,731
Employee Benefits	36,115	32,887	3,228
Credit Charged to Capital Projects	(20,000)	(7,594)	(12,406)
Insurance and Bond	196,964	193,514	3,450
Professional and Contracted Services	175,050	163,483	11,567
Postage	5,000	2,414	2,586
Office and Operating Supplies	142,254	155,649	(13,395)
Travel, Training, and Certification	36,100	36,018	82
Operating Maintenance - Building Grounds	104,800	110,649	(5,849)
Subscriptions	1,500	745	755
Legal Advertising	-	929	(929)
Electric and Gas	1,140,000	1,124,049	15,951
Telephone and Radio	38,106	44,968	(6,862)
Water	36,000	42,712	(6,712)
Vehicle Fuels	62,000	54,623	7,377
Auto and Truck Expense	70,000	87,472	(17,472)
Sludge and Grit Removal	788,584	699,318	89,266
Safety Equipment Expense	15,000	18,335	(3,335)
SD1 Penalties and Fines Paid	2,000	-	2,000
Rental	8,000	10,049	(2,049)
Contract Labor - Building Maintenance	8,000	3,760	4,240
Chemicals	1,100,000	887,860	212,140
Fuel Oil	80,000	32,420	47,580
Maintenance Material - Plant Equipment	230,000	207,022	22,978
Total Dry Creek Treatment Plant Expenses	\$ 7,756,257	\$ 7,466,349	\$ 289,908

See accompanying notes.

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL
OPERATION, MAINTENANCE, AND ADMINISTRATION
EASTERN REGIONAL RECLAMATION FACILITY
Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
Expenses			
Salaries and Wages	\$ 522,144	\$ 483,802	\$ 38,342
Medical and Dental Self Insured Plan	149,360	192,639	(43,279)
Pension Plan	96,416	79,256	17,160
Payroll Taxes	40,097	34,928	5,169
Employee Benefits	8,911	7,113	1,798
Credit Charged to Capital Projects	(300,000)	(33,051)	(266,949)
Insurance and Bond	55,786	56,012	(226)
Professional and Contracted Services	50,400	47,171	3,229
Postage	200	-	200
Office and Operating Supplies	21,215	19,360	1,855
Travel and Certification	17,500	10,065	7,435
Operating Maintenance - Building Grounds	34,929	21,520	13,409
Subscriptions	400	255	145
Electric and Gas	336,000	328,021	7,979
Telephone and Radio	37,149	31,381	5,768
Water	5,000	6,248	(1,248)
Vehicle Fuels	26,448	12,009	14,439
Auto and Truck Expense	35,000	16,609	18,391
Sludge and Grit Removal	90,050	98,911	(8,861)
Safety Equipment Expense	6,000	2,391	3,609
Rentals	1,000	-	1,000
Chemicals	100,000	71,193	28,807
Fuel Oil	6,000	1,687	4,313
Maintenance Material - Plant Equipment	110,000	93,013	16,987
Total Eastern Regional Reclamation Facility Expenses	<u>\$ 1,450,005</u>	<u>\$ 1,580,533</u>	<u>\$ (130,528)</u>

See accompanying notes.

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL
OPERATION, MAINTENANCE, AND ADMINISTRATION
WESTERN REGIONAL RECLAMATION FACILITY
Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
Expenses			
Salaries and Wages	\$ 615,232	\$ 575,039	\$ 40,193
Medical and Dental Self Insured Plan	194,204	246,850	(52,646)
Pension Plan	114,365	106,147	8,218
Payroll Taxes	47,218	40,695	6,523
Employee Benefits	10,516	8,554	1,962
Insurance and Bond	92,579	91,555	1,024
Professional and Contracted Services	55,500	38,238	17,262
Postage	1,000	-	1,000
Office and Operating Supplies	40,655	31,597	9,058
Travel and Certification	6,176	6,892	(716)
Operating Maintenance - Building Grounds	35,000	30,106	4,894
Subscriptions	500	416	84
Contract Labor - Building Maintenance	2,000	-	2,000
Electric and Gas	770,000	763,522	6,478
Telephone and Radio	25,860	27,371	(1,511)
Water	3,000	707	2,293
Vehicle Fuels	4,000	2,731	1,269
Auto and Truck Expense	10,000	12,392	(2,392)
Sludge and Grit Removal	600,000	750,211	(150,211)
Safety Equipment Expense	10,000	3,748	6,252
Rental	3,000	918	2,082
SD1 Penalties and Fines Paid	1,000	-	1,000
Chemicals	75,674	100,382	(24,708)
Fuel Oil	4,500	730	3,770
Maintenance Material - Plant Equipment	100,000	90,951	9,049
Total Western Regional Reclamation Facility Expenses	<u>\$ 2,821,979</u>	<u>\$ 2,929,752</u>	<u>\$ (107,773)</u>

See accompanying notes.

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL
OPERATION, MAINTENANCE, AND ADMINISTRATION
COLLECTION SYSTEM
Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	Variance with Final Budget (Unfavorable) Favorable
Expenses			
Salaries and Wages	\$ 2,996,005	\$ 3,293,714	\$ (297,709)
Medical and Dental Self Insured Plan	893,053	1,346,138	(453,085)
Pension Plan	550,818	605,286	(54,468)
Payroll Taxes	229,194	233,832	(4,638)
Employee Benefits	49,511	50,256	(745)
Credit Charged to Capital Projects	(909,929)	(963,160)	53,231
Insurance and Bond	512,070	532,676	(20,606)
Professional and Contracted Services	1,697,500	1,338,537	358,963
Postage	4,000	3,589	411
Office and Operating Supplies	11,590	6,171	5,419
Travel and Certification	60,725	56,841	3,884
Subscriptions	1,750	732	1,018
Telephone and Radio	43,035	41,601	1,434
Vehicle Fuels	139,725	122,627	17,098
Auto and Truck Expense	242,680	295,602	(52,922)
Sludge and Grit Removal	45,000	23,646	21,354
Safety Equipment Expense	24,500	28,050	(3,550)
Rentals	2,500	-	2,500
Maintenance Material - Collection Systems	399,800	451,392	(51,592)
Total Collection System Expenses	\$ <u>6,993,527</u>	\$ <u>7,467,530</u>	\$ <u>(474,003)</u>

See accompanying notes.

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL
OPERATION, MAINTENANCE, AND ADMINISTRATION
PUMP STATIONS / FIELD TECH
Year Ended June 30, 2017

			Variance with Final Budget (Unfavorable) Favorable
	<u>Budget</u>	<u>Actual</u>	
Expenses			
Salaries and Wages	\$ 676,156	\$ 738,437	\$ (62,281)
Medical and Dental Self Insured Plan	224,150	289,059	(64,909)
Pension Plan	131,932	130,979	953
Payroll Taxes	55,551	53,774	1,777
Employee Benefits	14,021	12,780	1,241
Credit Charged to Capital Projects	(14,000)	(46,476)	32,476
Insurance and Bond	167,451	164,684	2,767
Professional and Contracted Services	96,100	90,360	5,740
Postage	2,000	2,242	(242)
Office and Operating Supplies	24,750	29,105	(4,355)
Travel and Certification	11,000	13,837	(2,837)
Operating Maintenance - Building Grounds	27,000	29,003	(2,003)
Electric and Gas	1,750,000	1,620,012	129,988
Telephone and Radio	60,868	62,177	(1,309)
Water	24,000	21,661	2,339
Vehicle Fuels	35,000	28,536	6,464
Auto and Truck Expense	30,000	33,520	(3,520)
Sludge and Grit Removal	294,500	141,155	153,345
Safety Equipment Expense	10,000	9,958	42
SD1 Penalties and Fines Paid	1,000	-	1,000
Rental	48,000	57,176	(9,176)
Chemicals	1,459,011	1,686,532	(227,521)
Fuel Oil	20,000	4,946	15,054
Operating Maintenance - Pump Stations	<u>250,000</u>	<u>262,509</u>	<u>(12,509)</u>
Total Pump Stations/Field Tech Expenses	\$ <u>5,398,490</u>	\$ <u>5,435,966</u>	\$ <u>(37,476)</u>

See accompanying notes.

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL
OPERATION, MAINTENANCE, AND ADMINISTRATION
OPERATIONS
Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
Expenses			
Salaries and Wages	\$ 378,023	\$ 366,528	\$ 11,495
Medical and Dental Self Insured Plan	68,868	90,728	(21,860)
Pension Plan	66,229	64,082	2,147
Payroll Taxes	28,919	25,106	3,813
Employee Benefits	3,665	4,251	(586)
Credit Charged to Capital Projects	(3,250)	-	(3,250)
Insurance and Bond	17,116	14,252	2,864
Professional and Contracted Services	18,050	288	17,762
Office and Operating Supplies	3,714	6	3,708
Travel and Certification	19,264	6,676	12,588
Operating Maintenance - Building Grounds	-	247	(247)
Subscriptions	1,400	1,796	(396)
Telephone and Radio	5,157	2,054	3,103
Vehicle Fuels	3,800	2,738	1,062
Auto and Truck Expense	8,450	13,831	(5,381)
Safety Equipment Expense	-	37	(37)
SD1 Penalties and Fines Paid	-	9	(9)
Rentals	250	-	250
	<u> </u>	<u> </u>	<u> </u>
Total Operations Expense	\$ 619,655	\$ 592,629	\$ 27,026

See accompanying notes.

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL
OPERATION, MAINTENANCE, AND ADMINISTRATION
ENGINEERING
Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	Variance with Final Budget (Unfavorable) Favorable
Expenses			
Salaries and Wages	\$ 1,332,530	\$ 1,401,582	\$ (69,052)
Medical and Dental Self Insured Plan	277,844	357,327	(79,483)
Pension Plan	246,420	254,511	(8,091)
Payroll Taxes	101,938	97,117	4,821
Employee Benefits	17,394	16,707	687
Credit Charged to Capital Projects	(846,589)	(784,452)	(62,137)
Insurance and Bond	80,415	67,077	13,338
Professional and Contracted Services	372,000	318,516	53,484
Legal Services	153,000	202,986	(49,986)
Postage	150	402	(252)
Office and Operating Supplies	11,585	12,803	(1,218)
Travel and Certification	41,131	13,622	27,509
Subscriptions	51,200	49,922	1,278
Telephone and Radio	20,019	25,584	(5,565)
Vehicle Fuels	15,000	15,079	(79)
Auto and Truck Expense	11,000	7,884	3,116
Safety Equipment Expense	3,700	809	2,891
Inflow and Infiltration Removal Program	25,000	12,649	12,351
	<u> </u>	<u> </u>	<u> </u>
Total Engineering Expenses	\$ <u>1,913,737</u>	\$ <u>2,070,125</u>	\$ <u>(156,388)</u>

See accompanying notes.

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL
OPERATION, MAINTENANCE, AND ADMINISTRATION
STORM WATER PROGRAM
Year Ended June 30, 2017

			Variance with Final Budget (Unfavorable) Favorable
	Budget	Actual	
Expenses			
Salaries and Wages	\$ 3,074,425	\$ 2,619,740	\$ 454,685
Board of Directors	6,661	6,581	80
Medical and Dental Self Insured Plan	775,654	802,100	(26,446)
Pension Plan	550,948	456,646	94,302
Payroll Taxes	235,194	189,934	45,260
Employee Benefits	42,213	34,109	8,104
Unemployment Taxes	4,078	2,832	1,246
Credit Charged to Capital Projects	(466,069)	(196,442)	(269,627)
Insurance and Bond	70,240	37,747	32,493
Professional and Contracted Services	990,000	1,007,732	(17,732)
Legal Services	125,000	27,725	97,275
Bank Services	125,189	150,864	(25,675)
Auditing Services	9,062	6,700	2,362
Collection Agency Services	340	-	340
Postage	101,807	101,527	280
Office and Operating Supplies	86,738	61,622	25,116
Travel and Certification	24,000	14,214	9,786
Operating Maintenance - Building Grounds	57,215	57,423	(208)
Storm Water Program	50,000	36,130	13,870
Subscriptions	51,250	49,601	1,649
Communications	3,285	2,892	393
Legal Advertising	2,000	173	1,827
Electric and Gas	34,284	32,387	1,897
Telephone and Radio	55,533	36,371	19,162
Water	4,418	5,505	(1,087)
Vehicle Fuels	64,275	36,754	27,521
Auto and Truck Expense	92,320	74,720	17,600
Storm Water Facilities and Features	5,000	3,132	1,868
Safety Equipment Expense	2,800	473	2,327
50/50 Storm Water Projects	100,000	13,780	86,220
Maintenance Material - Collection Systems	80,300	93,053	(12,753)
Total Storm Water Expenses	\$ 6,358,160	\$ 5,766,025	\$ 592,135

See accompanying notes.

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL
OPERATION, MAINTENANCE, AND ADMINISTRATION
ADMINISTRATION
Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Expenses			
Salaries and Wages	\$ 2,699,770	\$ 2,572,137	\$ 127,633
Board of Directors	22,739	22,469	270
Medical and Dental Self Insured Plan	605,225	791,570	(186,345)
Pension Plan	473,983	422,812	51,171
Payroll Taxes	206,533	186,072	20,461
Employee Benefits	31,366	35,844	(4,478)
Unemployment Taxes	13,922	9,670	4,252
Credit Charged to Capital Projects	-	(314)	314
Insurance and Bond	293,458	220,501	72,957
Professional and Contracted Services	1,588,797	720,958	867,839
Legal Services	259,050	158,001	101,049
Bank Services	417,161	606,732	(189,571)
Auditing Services	30,938	22,880	8,058
Collection Agency Services	1,160	1,903	(743)
Postage	346,893	346,639	254
Office and Operating Supplies	122,457	95,642	26,815
Travel and Certification	139,896	81,145	58,751
Operating Maintenance - Building Grounds	86,085	90,241	(4,156)
Subscriptions	76,887	44,345	32,542
Communications	11,215	9,878	1,337
Legal Advertising	8,500	12,236	(3,736)
Electric and Gas	104,416	103,321	1,095
Telephone and Radio	89,844	55,482	34,362
Water	15,082	18,470	(3,388)
Vehicle Fuels	3,250	2,548	702
Auto and Truck Expense	4,000	4,566	(566)
Safety Equipment Expense	8,025	6,952	1,073
SD1 Penalties and Fines Paid	2,000	142	1,858
Rental	30,400	24,457	5,943
Total Administration Expenses	<u>7,693,052</u>	<u>6,667,299</u>	<u>1,025,753</u>
Total Operation, Maintenance, and Administration Expenses	<u>\$ 41,004,862</u>	<u>\$ 39,976,208</u>	<u>\$ 1,028,654</u>
Reconciliation of Budget to Actual to Statement of Revenues, Expenses, and Changes in Net Position			
General Revenues		\$ 98,976,003	
Operating, Maintenance, and Administrative Expenses		(39,976,208)	
Major Repair Expenses		(876,520)	
Depreciation		<u>(40,813,474)</u>	
Net Operating Income		<u>\$ 17,309,801</u>	

See accompanying notes.

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL
OPERATION, MAINTENANCE, AND ADMINISTRATION
DRY CREEK TREATMENT PLANT OPERATIONS
Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
Expenses			
Salaries and Wages	\$ 2,270,417	\$ 2,184,431	\$ 85,986
Medical and Dental Self Insured Plan	661,497	753,843	(92,346)
Pension Plan	370,623	344,985	25,638
Payroll Taxes	173,687	154,040	19,647
Employee Benefits	44,241	37,326	6,915
Credit Charged to Capital Projects	(30,494)	(42,939)	12,445
Insurance and Bond	162,038	168,176	(6,138)
Professional and Contracted Services	190,000	189,863	137
Postage	5,000	3,055	1,945
Office and Operating Supplies	128,700	161,792	(33,092)
Travel, Training, and Certification	14,850	33,547	(18,697)
Operating Maintenance - Building Grounds	76,428	88,377	(11,949)
Subscriptions	1,500	378	1,122
Legal Advertising	-	720	(720)
Electric and Gas	1,132,750	1,160,682	(27,932)
Telephone and Radio	30,000	36,721	(6,721)
Water	50,000	38,609	11,391
Vehicle Fuels	70,000	50,618	19,382
Auto and Truck Expense	62,000	98,234	(36,234)
Sludge and Grit Removal	712,500	915,176	(202,676)
Safety Equipment Expense	15,000	19,504	(4,504)
SD1 Penalties and Fines Paid	-	3	(3)
Rental	6,000	8,387	(2,387)
Contract Labor - Building Maintenance	5,000	10,944	(5,944)
Chemicals	1,296,000	869,666	426,334
Fuel Oil	80,000	13,282	66,718
Maintenance Material - Plant Equipment	180,000	158,490	21,510
Total Dry Creek Treatment Plant Expenses	\$ 7,707,737	\$ 7,457,910	\$ 249,827

See accompanying notes.

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL
OPERATION, MAINTENANCE, AND ADMINISTRATION
EASTERN REGIONAL RECLAMATION FACILITY
Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
Expenses			
Salaries and Wages	\$ 526,285	\$ 468,200	\$ 58,085
Medical and Dental Self Insured Plan	146,791	163,038	(16,247)
Pension Plan	88,419	75,652	12,767
Payroll Taxes	40,261	33,101	7,160
Employee Benefits	10,940	8,512	2,428
Credit Charged to Capital Projects	(277,099)	(355,278)	78,179
Insurance and Bond	45,316	49,144	(3,828)
Professional and Contracted Services	55,100	41,463	13,637
Postage	200	89	111
Office and Operating Supplies	19,800	33,424	(13,624)
Travel and Certification	4,950	8,155	(3,205)
Operating Maintenance - Building Grounds	14,850	30,287	(15,437)
Subscriptions	300	253	47
Electric and Gas	334,900	322,135	12,765
Telephone and Radio	35,000	33,563	1,437
Water	5,000	4,485	515
Vehicle Fuels	28,500	13,084	15,416
Auto and Truck Expense	35,000	38,375	(3,375)
Sludge and Grit Removal	91,200	90,029	1,171
Safety Equipment Expense	5,000	5,888	(888)
Rental	1,000	700	300
SD1 Penalties and Fines Paid	-	6	(6)
Chemicals	91,200	94,935	(3,735)
Fuel Oil	7,000	1,442	5,558
Maintenance Material - Plant Equipment	85,000	76,100	8,900
Total Eastern Regional Reclamation Facility Expenses	<u>\$ 1,394,913</u>	<u>\$ 1,236,782</u>	<u>\$ 158,131</u>

See accompanying notes.

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL
OPERATION, MAINTENANCE, AND ADMINISTRATION
WESTERN REGIONAL RECLAMATION FACILITY
Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
Expenses			
Salaries and Wages	\$ 606,045	\$ 592,873	\$ 13,172
Medical and Dental Self Insured Plan	190,871	209,092	(18,221)
Pension Plan	102,538	102,092	446
Payroll Taxes	46,362	40,525	5,837
Employee Benefits	12,882	10,033	2,849
Credits Charged to Capital Projects	(1,049)	-	(1,049)
Insurance and Bond	78,058	82,323	(4,265)
Professional and Contracted Services	56,715	50,450	6,265
Postage	500	12	488
Office and Operating Supplies	39,600	47,982	(8,382)
Travel and Certification	4,950	4,463	487
Operating Maintenance - Building Grounds	24,750	44,367	(19,617)
Subscriptions	400	340	60
Contract Labor - Building Maintenance	1,000	-	1,000
Electric and Gas	788,000	766,362	21,638
Telephone and Radio	25,000	20,662	4,338
Water	3,000	2,738	262
Vehicle Fuels	2,750	4,628	(1,878)
Auto and Truck Expense	8,000	9,732	(1,732)
Sludge and Grit Removal	570,000	695,773	(125,773)
Safety Equipment Expense	10,000	9,188	812
Rental	3,000	1,446	1,554
SD1 Penalties and Fines Paid	-	7,006	(7,006)
Chemicals	72,000	85,650	(13,650)
Fuel Oil	6,000	1,309	4,691
Maintenance Material - Plant Equipment	85,000	100,255	(15,255)
Total Western Regional Reclamation Facility Expenses	<u>\$ 2,736,372</u>	<u>\$ 2,889,301</u>	<u>\$ (152,929)</u>

See accompanying notes.

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL
OPERATION, MAINTENANCE, AND ADMINISTRATION
COLLECTION SYSTEM
Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
Expenses			
Salaries and Wages	\$ 3,008,447	\$ 2,938,566	\$ 69,881
Medical and Dental Self Insured Plan	913,464	1,040,230	(126,766)
Pension Plan	504,247	480,605	23,642
Payroll Taxes	230,146	205,708	24,438
Employee Benefits	60,928	48,152	12,776
Credit Charged to Capital Projects	(964,106)	(830,287)	(133,819)
Insurance and Bond	455,030	437,816	17,214
Professional and Contracted Services	1,235,000	1,234,847	153
Postage	4,000	2,558	1,442
Office and Operating Supplies	7,312	10,393	(3,081)
Travel and Certification	34,650	50,778	(16,128)
Operating Maintenance - Building Grounds	-	161	(161)
Subscriptions	750	626	124
Telephone and Radio	48,158	29,187	18,971
Vehicle Fuels	206,813	109,142	97,671
Auto and Truck Expense	221,585	300,787	(79,202)
Sludge and Grit Removal	43,700	31,855	11,845
Safety Equipment Expense	24,500	33,432	(8,932)
Rental	-	1,158	(1,158)
Maintenance Material - Collection Systems	317,066	344,786	(27,720)
	<u> </u>	<u> </u>	<u> </u>
Total Collection System Expenses	\$ 6,351,690	\$ 6,470,500	\$ (118,810)

See accompanying notes.

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL
OPERATION, MAINTENANCE, AND ADMINISTRATION
PUMP STATIONS / FIELD TECH
Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
Expenses			
Salaries and Wages	\$ 723,918	\$ 688,373	\$ 35,545
Medical and Dental Self Insured Plan	220,304	252,909	(32,605)
Pension Plan	119,256	112,398	6,858
Payroll Taxes	55,380	48,525	6,855
Employee Benefits	16,644	13,647	2,997
Credit Charged to Capital Projects	(73,765)	(46,437)	(27,328)
Insurance and Bond	149,488	152,232	(2,744)
Professional and Contracted Services	90,250	127,745	(37,495)
Postage	3,000	-	3,000
Office and Operating Supplies	24,750	35,812	(11,062)
Travel and Certification	7,920	5,415	2,505
Operating Maintenance - Building Grounds	19,800	16,554	3,246
Electric and Gas	1,773,000	1,694,870	78,130
Telephone and Radio	53,000	65,050	(12,050)
Water	24,000	21,535	2,465
Vehicle Fuels	40,000	26,130	13,870
Auto and Truck Expense	35,000	26,565	8,435
Sludge and Grit Removal	294,500	177,348	117,152
Safety Equipment Expense	8,000	7,528	472
SD1 Penalties and Fines Paid	-	10	(10)
Rental	35,000	52,340	(17,340)
Chemicals	1,617,600	1,439,520	178,080
Fuel Oil	20,000	13,883	6,117
Operating Maintenance - Pump Stations	<u>180,000</u>	<u>236,891</u>	<u>(56,891)</u>
Total Pump Stations/Field Tech Expenses	\$ <u>5,437,045</u>	\$ <u>5,168,843</u>	\$ <u>268,202</u>

See accompanying notes.

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL
OPERATION, MAINTENANCE, AND ADMINISTRATION
OPERATIONS
Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget (Unfavorable) Favorable</u>
Expenses			
Salaries and Wages	\$ 334,907	\$ 367,598	\$ (32,691)
Medical and Dental Self Insured Plan	68,114	78,233	(10,119)
Pension Plan	53,112	51,117	1,995
Payroll Taxes	25,620	26,324	(704)
Employee Benefits	3,440	4,256	(816)
Credits Charged to Capital Projects	(5,838)	(2,003)	(3,835)
Insurance and Bond	14,395	13,270	1,125
Professional and Contracted Services	18,050	16,228	1,822
Office and Operating Supplies	5,264	633	4,631
Travel and Certification	4,257	5,714	(1,457)
Subscriptions	1,407	1,126	281
Telephone and Radio	4,011	2,899	1,112
Vehicle Fuels	4,900	3,005	1,895
Auto and Truck Expense	8,300	8,305	(5)
Safety Equipment Expense	-	144	(144)
Rentals	250	-	250
	<u>250</u>	<u>-</u>	<u>250</u>
Total Operations Expense	\$ <u>540,189</u>	\$ <u>576,849</u>	\$ <u>(36,660)</u>

See accompanying notes.

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL
OPERATION, MAINTENANCE, AND ADMINISTRATION
ENGINEERING
Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	Variance with Final Budget (Unfavorable) Favorable
Expenses			
Salaries and Wages	\$ 1,302,141	\$ 1,340,320	\$ (38,179)
Medical and Dental Self Insured Plan	275,451	314,596	(39,145)
Pension Plan	219,848	221,325	(1,477)
Payroll Taxes	99,614	93,000	6,614
Employee Benefits	18,255	16,949	1,306
Credit Charged to Capital Projects	(852,624)	(838,931)	(13,693)
Insurance and Bond	60,774	58,599	2,175
Professional and Contracted Services	324,829	333,382	(8,553)
Legal Services	15,000	232,032	(217,032)
Postage	150	351	(201)
Office and Operating Supplies	17,863	5,516	12,347
Travel and Certification	31,131	17,405	13,726
Subscriptions	51,956	50,193	1,763
Telephone and Radio	18,671	17,547	1,124
Vehicle Fuels	18,200	15,173	3,027
Auto and Truck Expense	6,000	12,786	(6,786)
Safety Equipment Expense	3,700	1,258	2,442
Inflow and Infiltration Removal Program	25,000	-	25,000
	<u> </u>	<u> </u>	<u> </u>
Total Engineering Expenses	\$ <u>1,635,959</u>	\$ <u>1,891,501</u>	\$ <u>(255,542)</u>

See accompanying notes.

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL
OPERATION, MAINTENANCE, AND ADMINISTRATION
STORM WATER PROGRAM
Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
Expenses			
Salaries and Wages	\$ 2,979,383	\$ 2,930,492	\$ 48,891
Board of Directors	6,307	6,311	(4)
Medical and Dental Self Insured Plan	768,216	886,657	(118,441)
Pension Plan	487,104	468,858	18,246
Payroll Taxes	227,922	205,204	22,718
Employee Benefits	46,588	40,386	6,202
Unemployment Taxes	3,862	2,993	869
Credit Charged to Capital Projects	(468,157)	(407,843)	(60,314)
Insurance and Bond	29,403	39,962	(10,559)
Professional and Contracted Services	640,000	1,026,495	(386,495)
Legal Services	125,000	52,533	72,467
Bank Services	114,699	72,329	42,370
Collections expenses	14	-	14
Auditing Services	8,581	7,610	971
Postage	93,142	101,313	(8,171)
Office and Operating Supplies	87,356	68,681	18,675
Travel and Certification	26,000	25,782	218
Operating Maintenance - Building Grounds	116,344	58,179	58,165
Storm Water Program	55,000	29,146	25,854
Subscriptions	50,700	58,285	(7,585)
Communications	3,862	2,603	1,259
Legal Advertising	2,000	-	2,000
Electric and Gas	32,662	29,561	3,101
Telephone and Radio	42,057	41,007	1,050
Water	3,969	4,929	(960)
Vehicle Fuels	93,887	49,891	43,996
Auto and Truck Expense	88,615	114,390	(25,775)
Storm Water Facilities and Features	20,000	2,241	17,759
Safety Equipment Expense	2,800	264	2,536
50/50 Storm Water Projects	100,000	61,369	38,631
Maintenance Material - Collection Systems	112,204	122,311	(10,107)
Total Storm Water Program Expenses	\$ <u>5,899,520</u>	\$ <u>6,101,939</u>	\$ <u>(202,419)</u>

See accompanying notes.

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL
OPERATION, MAINTENANCE, AND ADMINISTRATION
ADMINISTRATION
Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
Expenses			
Salaries and Wages	\$ 2,778,781	\$ 2,640,712	\$ 138,069
Board of Directors	23,093	23,089	4
Medical and Dental Self Insured Plan	639,612	756,354	(116,742)
Pension Plan	448,606	401,937	46,669
Payroll Taxes	212,577	184,450	28,127
Employee Benefits	31,510	36,060	(4,550)
Unemployment Taxes	14,138	10,964	3,174
Credit Charged to Capital Projects	-	(39)	39
Insurance and Bond	215,164	188,899	26,265
Professional and Contracted Services	1,050,967	854,373	196,594
Legal Services	158,000	212,508	(54,508)
Bank Services	410,801	471,259	(60,458)
Auditing Services	31,419	27,870	3,549
Collection Agency Services	51	918	(867)
Postage	340,658	370,654	(29,996)
Office and Operating Supplies	126,149	101,518	24,631
Travel and Certification	146,455	96,105	50,350
Operating Maintenance - Building Grounds	84,255	97,851	(13,596)
Subscriptions	70,265	80,368	(10,103)
Communications	14,138	9,530	4,608
Legal Advertising	7,000	6,400	600
Electric and Gas	104,448	100,715	3,733
Telephone and Radio	45,388	68,415	(23,027)
Water	14,531	18,055	(3,524)
Vehicle Fuels	3,500	1,519	1,981
Auto and Truck Expense	4,000	3,284	716
Safety Equipment Expense	7,970	6,750	1,220
SD1 Penalties and Fines Paid	5,000	632	4,368
Rental	22,500	23,792	(1,292)
	<u>7,010,976</u>	<u>6,794,942</u>	<u>216,034</u>
Total Administration Expenses			
	<u>7,010,976</u>	<u>6,794,942</u>	<u>216,034</u>
Total Operation, Maintenance, and Administration Expenses	<u>\$ 38,714,401</u>	<u>\$ 38,588,567</u>	<u>\$ 125,834</u>
Reconciliation of Budget to Actual to Statement of Revenues, Expenses, and Changes in Net Position			
General Revenues		\$ 94,435,079	
Operation, Maintenance, and Administration Expenses		(38,588,567)	
Major Repair Expenses		(1,720,103)	
Depreciation		<u>(40,776,214)</u>	
Net Operating Income		<u>\$ 13,350,195</u>	

See accompanying notes.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Sanitation District No. 1 (SD1) as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise SD1's basic financial statements, and have issued our report thereon dated December 7, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered SD1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SD1's internal control. Accordingly, we do not express an opinion on the effectiveness of SD1's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control in financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SD1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we did identify other matters which are described in our management recommendation letter.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SD1's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SD1's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

VonLehman & Company Inc.

Fort Wright, Kentucky
December 7, 2017

STATISTICAL SECTION

STATISTICAL SECTION NARRATIVE

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

CONTENTS:

PAGE

Financial Trends:

85 – 91

These schedules contain trend information to help readers understand how SD1's financial performance and position have changed over time.

Revenue Capacity:

92 – 97

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

Debt Service Coverage:

98 – 100

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

Demographic and Economic Information:

101 – 105

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

Operating Information:

106 – 107

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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Assets and Deferred Outflow of Resources										
Current Assets										
Cash and Cash Equivalents	\$ 18,636,359	\$ 10,266,444	\$ 9,692,641	\$ 7,352,683	\$ 9,464,525	\$ 19,058,529	\$ 32,688,855	\$ 38,748,815	\$ 45,131,172	\$ 54,193,357
Investments	6,256,876	8,965,396	6,607,843	6,693,573	-	-	-	-	-	-
Accounts Receivable										
Customers, net of allowance	7,470,754	8,152,236	7,242,816	8,201,544	10,108,461	11,031,115	10,257,908	9,952,571	10,138,377	9,014,025
Communities	29,806	15,278	22,653	13,728	20,731	24,631	12,068	14,484	14,450	13,506
KIA loan receivable	-	-	-	11,555,668	6,940,435	4,235,102	1,204,334	274,991	-	-
Others	819,442	1,946,388	5,432,371	4,269,523	3,834,336	3,741,641	4,004,172	4,011,851	3,750,928	4,246,702
Due from other fund	-	4,840,700	4,840,698	6,898,795	7,302,667	11,461,121	14,313,219	-	-	-
Accrued unbilled charges	8,478,996	8,359,200	7,725,400	8,698,483	9,615,400	9,190,400	9,344,329	9,800,840	9,615,950	10,053,930
Prepays and deposits	618,314	555,209	533,981	619,705	637,983	596,152	1,363,240	695,557	765,868	703,728
Accrued interest income	53,132	17,604	33,250	28,238	27,324	15,778	13,980	28,170	22,208	26,267
Total Current Assets	42,363,679	43,118,455	42,131,653	54,331,940	47,951,862	59,354,469	73,202,105	63,527,279	69,438,953	78,251,515
Noncurrent Assets										
Restricted Assets										
Cash	64,677,847	25,451,995	52,780,640	51,090,511	32,583,239	19,577,365	11,596,453	7,099,462	3,633,285	2,366,227
Investments	50,153,621	51,350,743	64,012,084	73,766,771	80,747,604	82,613,373	83,424,890	84,756,917	85,017,276	83,531,917
Accrued interest	481,449	270,586	261,423	206,456	162,673	152,282	108,183	124,195	130,370	161,677
Prepaid items	123,803	233,390	233,390	59,708	98,519	49,354	188	-	-	-
Total Restricted Assets	115,436,720	77,306,714	117,287,537	125,123,446	113,592,035	102,392,374	95,129,714	91,980,574	88,780,931	86,059,821
Receivables										
Assessments	2,248,298	2,079,386	1,958,351	1,849,302	1,738,719	1,644,649	1,555,201	1,470,191	1,380,740	1,321,474
Improvement notes	821,522	20,530	5,524	5,525	5,443	5,130	5,130	5,130	5,130	5,130
Total Receivables	3,069,820	2,099,916	1,963,875	1,854,827	1,744,162	1,649,779	1,560,331	1,475,321	1,385,870	1,326,604
Capital Assets										
Land, building, system, equipment, and vehicles	578,928,587	644,722,698	949,282,454	1,106,520,240	1,377,882,062	1,435,999,064	1,489,052,302	1,507,786,801	1,532,044,997	1,555,868,229
Construction in progress	144,855,250	153,932,654	197,579,699	250,483,024	50,114,839	41,833,765	8,030,328	12,613,822	11,444,632	11,914,610
Less: accumulated depreciation	(161,769,836)	(185,336,930)	(206,333,999)	(241,595,496)	(278,159,842)	(316,596,851)	(352,824,204)	(392,735,214)	(432,189,270)	(470,629,798)
Total Capital Assets	562,014,001	613,318,422	940,528,154	1,115,407,768	1,149,837,059	1,161,235,978	1,144,258,426	1,127,665,409	1,111,300,359	1,097,153,041
Total Noncurrent Assets	680,520,541	692,725,052	1,059,779,566	1,242,386,041	1,265,173,256	1,265,278,131	1,240,948,471	1,221,121,304	1,201,467,160	1,184,539,466
Total Assets	722,884,220	735,843,507	1,101,911,219	1,296,717,981	1,313,125,118	1,324,632,600	1,314,150,576	1,284,648,583	1,270,906,113	1,262,790,981
Deferred Outflow of Resources										
Deferred Outflows Related to Pension							2,447,181	1,696,697	4,556,240	5,944,107
Deferred Loss on Refundings	2,428,639	2,075,610	1,725,432	4,722,311	4,071,573	3,458,564	2,904,792	2,415,774	1,993,406	6,681,318
Total Deferred Outflow of Resources	2,428,639	2,075,610	1,725,432	4,722,311	4,071,573	3,458,564	5,351,973	4,112,471	6,549,646	12,625,425
Total Assets and Deferred Outflow of Resources	\$ 725,312,859	\$ 737,919,117	\$ 1,103,636,651	\$ 1,301,440,292	\$ 1,317,196,691	\$ 1,328,091,164	\$ 1,319,502,549	\$ 1,288,761,054	\$ 1,277,455,759	\$ 1,275,416,406

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Liabilities and Deferred Inflow of Resources										
Current Liabilities										
Bond Indebtedness	\$ 5,655,000	\$ 5,905,000	\$ 7,240,000	\$ 10,815,000	\$ 11,115,000	\$ 11,430,000	\$ 11,770,000	\$ 12,140,000	\$ 12,545,000	\$ 15,234,259
Notes Payable	\$ 1,137,025	\$ 1,259,762	\$ 1,297,838	\$ 1,571,658	\$ 1,866,517	\$ 7,008,249	\$ 6,377,235	\$ 7,158,744	\$ 7,375,823	7,506,790
Accounts payable	14,068,981	16,600,430	25,742,021	19,108,718	14,378,762	9,843,063	6,208,453	6,228,639	4,644,185	6,714,215
Accrued payroll and benefits	751,253	994,514	935,612	558,366	647,174	794,074	872,739	905,503	967,085	1,031,245
Accrued Interest Payable	4,763,067	4,578,388	6,473,959	8,671,851	8,350,350	8,230,475	8,095,295	7,927,725	7,730,150	7,061,301
Accrued taxes and pension	93,691	134,234	136	425	(104)	2,772	11,008	(24)	(176)	1,166
Compensated Absences	267,812	275,416	367,179	311,802	303,127	342,729	342,242	315,970	315,335	322,350
Due to other fund	-	4,840,700	4,840,698	6,898,795	7,302,667	11,461,121	14,313,219	-	-	-
Communities	16,651	18,187	2,033	346	733	156	47	47	-	-
Other liabilities	-	56,154	79,060	78,201	67,578	45,183	31,076	74,923	167,636	142,544
Customer deposits and other	\$ 406,823	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales tax payable	1,114	330	155	(450)	-	47,590	61	102	(643)	150,286
Total Current Liabilities	27,161,417	34,663,115	46,978,691	48,014,712	44,031,804	49,205,412	48,021,375	34,751,629	33,744,395	38,164,156
Long-Term Liabilities (Net of Current Portion)										
Bonds payable, net of amortization	233,107,525	226,802,468	347,290,647	400,125,967	388,323,266	379,143,277	366,369,937	353,243,540	339,745,207	324,620,158
Notes payable	29,566,568	32,497,265	60,501,607	101,353,944	134,708,581	145,790,516	147,034,138	140,802,264	135,506,662	129,217,631
Compensated Absences	477,516	491,076	654,691	555,952	540,485	611,096	610,228	563,384	562,252	574,760
Net pension liability	-	-	-	-	-	-	20,730,248	18,320,686	24,340,276	26,833,461
Total Noncurrent Liabilities	263,151,609	259,790,809	408,446,945	502,035,863	523,572,332	525,544,889	534,744,551	512,929,874	500,154,397	481,246,010
Total Liabilities	290,313,026	294,453,924	455,425,636	550,050,575	567,604,136	574,750,301	582,765,926	547,681,503	533,898,792	519,410,166
Deferred Inflow of Resources										
Deferred inflows Related to Pension	-	-	-	-	-	-	-	2,045,032	-	565,983
Total Liabilities and Deferred Inflow of Resources	290,313,026	294,453,924	455,425,636	550,050,575	567,604,136	574,750,301	582,765,926	549,726,535	533,898,792	519,976,149
Net Assets (Position)										
Net investment in capital assets	294,976,522	348,929,537	525,923,494	606,263,510	617,895,268	621,322,500	615,611,908	616,736,635	618,121,073	627,255,521
Restricted for:										
Debt service funds, net of current liabilities	27,083,692	27,773,876	39,727,521	49,499,075	49,114,073	49,231,611	49,333,440	50,453,417	50,870,334	48,973,964
Operations, infrastructure, & insurance reserves	24,657,722	23,935,102	24,622,294	24,849,919	31,882,577	33,582,825	34,202,584	34,427,560	34,277,222	34,719,619
Capital improvement/programs	63,694,297	25,216,898	51,772,937	49,752,990	31,648,215	19,063,723	10,657,785	6,161,886	2,683,670	1,416,270
Other purposes	1,009	380,838	1,164,785	1,021,462	947,170	514,215	939,102	937,711	949,705	949,968
Unrestricted	24,586,591	17,228,942	4,999,984	20,002,761	18,105,252	29,625,989	25,991,804	30,317,310	36,654,963	42,124,915
Total Net Assets (Position)	434,999,833	443,465,193	648,211,015	751,389,717	749,592,555	753,340,863	736,736,623	739,034,519	743,556,967	755,440,257
Total Liabilities and Net Position	\$ 725,312,859	\$ 737,919,117	\$ 1,103,636,651	\$ 1,301,440,292	\$ 1,317,196,691	\$ 1,328,091,164	\$ 1,319,502,549	\$ 1,288,761,054	\$ 1,277,455,759	\$ 1,275,416,406

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Operating Revenues										
Sewer service charges	\$41,342,262	\$47,368,230	\$ 53,994,128	\$ 61,887,891	\$68,369,740	\$73,562,515	\$74,221,151	\$76,583,543	\$75,730,322	\$79,746,166
Storm water charges	9,739,148	10,301,534	10,810,291	11,091,977	11,388,734	11,751,183	11,899,106	12,405,055	12,745,499	12,965,299
Permits & tap-In fees	3,002,506	2,236,542	2,732,120	2,283,388	1,765,957	2,340,792	3,173,486	3,117,162	3,566,331	3,848,229
Sludge hauling	192,978	77,171	92,429	144,505	147,409	120,776	84,480	72,692	101,621	274,630
Inspections	70,004	52,456	34,878	33,416	69,300	69,682	74,348	177,073	217,454	158,531
Penalties and fines	897,070	1,179,262	1,292,685	1,332,674	1,431,386	1,581,774	1,573,674	1,619,161	1,502,174	1,466,407
Contractual services	94,831	87,600	103,219	137,694	141,038	125,689	128,752	132,614	136,592	140,689
Bad debt recoveries	6,124	12,964	49,938	35,355	19,097	35,392	21,873	70,916	138,003	50,134
Other revenues	99,850	44,190	119,992	7,017	69,044	50,993	33,287	230,623	297,083	325,918
Project reimbursements	1,370,247	310,899	165,830	1,442,406	549,579	68,321	1,450,000	53,274	-	-
Total Operating Revenues	56,815,019	61,670,848	69,395,510	78,396,323	83,951,284	89,707,117	92,660,157	94,462,113	94,435,079	98,976,003
Operating Expenses										
Operation, maintenance & administration										
Salary & wages	6,823,087	7,397,037	6,824,325	7,666,779	7,875,727	10,352,734	11,423,914	11,545,248	11,657,207	12,215,331
Employee benefit & incentive expenses	4,987,591	5,144,969	5,819,271	5,776,673	6,628,400	7,539,280	7,046,809	8,160,719	7,934,077	8,710,860
Professional & contractual services	1,614,396	1,758,011	2,779,872	3,063,454	3,778,654	5,216,695	4,918,068	6,090,769	6,142,324	6,281,104
Office administration expenses	1,200,378	1,347,218	1,743,401	1,434,543	1,742,980	1,903,439	1,759,589	1,895,657	1,777,837	1,661,077
Utilities, fuels oil & chemicals expense	6,595,898	6,551,357	7,198,145	7,316,763	7,362,096	7,685,268	7,311,989	7,403,662	6,999,416	7,179,355
Vehicle operation expenses	1,216,854	1,037,133	1,096,654	1,163,239	1,276,021	1,087,065	1,068,097	983,314	885,648	824,241
Infrastructure, equipment & other expense	1,560,922	1,755,982	2,372,647	1,997,122	2,355,828	2,760,362	2,824,155	2,818,327	3,192,058	3,104,240
Supplemental/State environmental project:	30,051	82,951	283,029	202,182	61,218	-	1,924	-	-	-
Other expenses	7,831	-	-	-	-	-	-	-	-	-
Total operation, maintenance & administratio	24,037,008	25,074,658	28,117,344	28,620,755	31,080,924	36,544,843	36,354,545	38,897,696	38,588,567	39,976,208
Major repairs and other	6,447,722	3,134,429	4,797,653	6,172,970	4,912,935	4,495,306	1,291,040	1,414,072	1,720,103	876,520
Depreciation	13,939,243	23,731,773	32,842,268	37,633,213	39,593,040	40,245,842	40,716,750	40,859,784	40,776,214	40,813,474
Total Operating Expenses	44,423,973	51,940,860	65,757,265	72,426,938	75,586,899	81,285,991	78,362,335	81,171,552	81,084,884	81,666,202
Operating Income	12,391,046	9,729,988	3,638,245	5,969,385	8,364,385	8,421,126	14,297,822	13,290,561	13,350,195	17,309,801

(Continue)

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Non-Operating Income										
Interest income	\$ 5,280,998	\$ 2,064,125	\$ 1,693,641	\$ 1,272,736	\$ 723,911	\$ 831,632	\$ 567,152	\$ 686,943	\$ 906,611	\$ 1,264,451
Federal credits on Build America Bonds	-	-	561,428	3,853,736	3,805,832	3,590,813	3,530,769	3,435,087	3,406,317	3,353,778
Gain/(Loss) on sale of fixed assets	87,167	59,458	(4,646,167)	(2,411,613)	(2,392,458)	(1,810,778)	(1,105,803)	(323,186)	(407,480)	(160,790)
Net effect of change in share of pension expense								(385,954)	(1,115,015)	(1,671,301)
Net increase in fair market value of investme	(591,216)	342,379	104,496	(443,536)	286,941	(486,536)	165,073	68,787	287,462	(655,619)
Total Non-Operating Income (Expense)	4,776,949	2,465,962	(2,286,602)	2,271,323	2,424,226	2,125,131	3,157,191	3,481,677	3,077,895	2,130,519
Interest and Other Charges										
Interest on long-term debt	5,547,185	5,758,237	11,174,829	16,025,760	18,254,771	19,331,456	20,828,408	20,658,530	20,096,326	16,836,216
Amortization of bond discount & expense	192,465	258,885	186,054	255,805	395,549	43,097	44,515	46,031	47,182	835,292
Total Interest and Other Charges	5,739,650	6,017,122	11,360,883	16,281,565	18,650,320	19,374,553	20,872,923	20,704,561	20,143,508	17,671,508
Change in Net Position Before Capital Contributions	11,428,345	6,178,828	(10,009,240)	(8,040,857)	(7,861,709)	(8,828,296)	(3,417,910)	(3,932,323)	(3,715,418)	1,768,812
Capital Contributions	2,501,666	2,286,532	214,755,064	111,721,532	6,064,545	15,852,673	5,331,548	6,230,218	8,237,866	10,114,478
Change in Net Asset (Position)	\$13,930,011	\$ 8,465,360	\$204,745,824	\$103,680,675	\$ (1,797,164)	\$ 7,024,377	\$ 1,913,638	\$ 2,297,895	\$ 4,522,448	\$11,883,290

Sanitation District No. 1
Cash Flows
Last Ten Fiscal Years

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Cash Flow from Operating Activities										
Received from customers	\$ 54,619,313	\$ 61,194,429	\$ 70,408,423	\$ 71,358,359	\$ 81,151,762	\$ 85,139,804	\$ 90,177,369	\$ 94,283,021	\$ 94,695,120	\$ 99,167,545
Paid to suppliers for goods and services	(11,677,247)	(15,782,607)	(17,039,076)	(25,862,095)	(19,991,822)	(22,699,507)	(20,071,035)	(20,919,150)	(22,866,427)	(17,581,717)
Paid to or on behalf of employees for services	(16,249,714)	(11,685,342)	(11,943,516)	(13,974,524)	(13,829,679)	(17,013,644)	(17,776,165)	(19,142,626)	(18,536,538)	(20,841,173)
Net Cash Provided by Operating Activities	26,692,352	33,726,480	41,425,831	31,521,740	47,330,261	45,426,653	52,330,169	54,221,245	53,292,155	60,744,655
Cash Flows from Capital and Related Financing Activities										
Principal received on notes and bonds	108,697,194	3,017,121	154,921,293	139,316,551	39,963,916	20,938,245	10,003,959	2,513,642	2,355,212	1,217,757
Federal credits on Build America Bonds	-	-	561,428	3,853,736	3,805,832	3,590,813	3,530,769	3,452,910	3,406,316	3,353,778
Proceeds from sale of capital assets	-	59,458	51,782	18,195	203,895	223,786	83,100	140,528	22,420	229,710
Bond issuance costs	(779,595)	-	-	-	-	-	-	-	-	(835,292)
Payment to bond refunding agent	-	-	-	-	-	-	-	-	-	-
Bond premium (discount)	5,217,175	-	-	-	-	-	-	-	-	-
Payments made on long term debt	(4,330,941)	(6,875,466)	(7,164,762)	(50,903,395)	(12,514,188)	(13,124,245)	(17,790,582)	(18,804,665)	(19,298,744)	(160,275,821)
Proceeds on Bond Refunding	-	-	-	-	-	-	-	-	-	141,450,636
Interest paid, net of capitalized interest	(3,417,944)	(6,226,401)	(9,969,117)	(15,293,072)	(19,008,783)	(19,907,475)	(21,457,672)	(21,369,509)	(20,872,047)	(20,847,960)
Acquisition and construction of capital assets, net of contributed capital	(70,592,005)	(72,749,661)	(149,994,886)	(103,723,075)	(70,554,138)	(37,826,653)	(19,596,553)	(18,500,262)	(16,603,198)	(16,824,092)
Principal received on assessments	-	-	-	-	-	-	-	-	-	59,266
Assessment interest income	-	-	-	-	-	-	-	-	-	39,804
(Increase)/decrease in restricted funds	(3,404,424)	2,705,449	5,435,407	130,471	(6,390,514)	(1,234,258)	(1,185,570)	515,580	(319,435)	-
Net Cash Used by Capital and Related Financing Activities	31,389,460	(80,069,500)	(6,158,855)	(26,600,589)	(64,493,980)	(47,339,787)	(46,412,549)	(52,051,776)	(51,309,476)	(52,432,214)
Cash Flows from Investing Activities										
Investment Income	5,283,941	2,310,516	1,687,158	1,332,715	768,608	853,569	613,049	656,740	906,398	345,624
Proceeds from the sale of investments	-	-	-	-	-	-	-	-	-	5,312,777
Purchase of investments	-	-	-	-	-	-	-	-	-	(6,175,715)
Net (increase) decrease on Investments	6,198,626	(3,563,263)	(10,199,292)	(10,283,953)	(319)	(2,352,305)	(646,444)	(1,263,240)	27,103	-
Net Cash Provided (Used) by Investing Activities	11,482,567	(1,252,747)	(8,512,134)	(8,951,238)	768,289	(1,498,736)	(33,395)	(606,500)	933,501	(517,314)
Increase (Decrease) in Cash and Cash Equivalents	69,564,379	(47,595,767)	26,754,842	(4,030,087)	(16,395,430)	(3,411,870)	5,884,225	1,562,969	2,916,180	7,795,127
Cash and Cash Equivalents Beginning of Year	13,515,016	83,079,395	35,483,628	62,238,470	58,208,383	41,812,953	38,401,083	44,285,308	45,848,277	48,764,457
Cash and Cash Equivalents End of Year	\$ 83,079,395	\$ 35,483,628	\$ 62,238,470	\$ 58,208,383	\$ 41,812,953	\$ 38,401,083	\$ 44,285,308	\$ 45,848,277	\$ 48,764,457	\$ 56,559,584

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Capital Assets Not Depreciated										
Land/Easements	\$ 6,735,573	\$ 6,735,573	\$ 6,966,183	\$ 12,020,310	\$ 14,621,314	\$ 14,736,419	\$ 14,859,087	\$ 14,859,088	\$ 15,125,674	\$ 15,278,071
Construction in Progress	134,374,432	145,107,180	187,722,253	242,536,861	46,654,791	40,814,200	6,286,209	9,836,028	8,984,555	8,445,318
Total Capital Assets Not Depreciated	141,110,005	151,842,753	194,688,436	254,557,171	61,276,105	55,550,619	21,145,295	24,695,116	24,110,229	23,723,389
Capital Assets being depreciated										
Land improvements	\$ 1,755,731	\$ 3,050,925	\$ 3,081,703	\$ 3,130,238	\$ 3,224,918	\$ 3,249,750	\$ 3,249,750	\$ 3,249,751	\$ 3,249,751	\$ 3,986,902
Collection system	355,094,422	383,879,066	431,156,468	456,348,371	623,052,699	649,183,792	662,016,791	670,488,000	679,709,357	693,385,908
Pump stations	51,317,688	58,137,325	69,077,820	73,392,465	72,614,473	83,128,822	91,447,112	92,656,350	97,798,125	98,210,442
Treatment and disposal	101,826,382	110,233,594	139,355,921	148,165,179	235,726,818	237,671,535	262,857,645	263,781,508	263,994,437	264,269,368
General Buildings & structures	29,067,672	29,336,260	29,335,709	29,954,485	29,965,363	30,028,238	30,028,238	30,028,238	30,028,238	30,028,238
Office furniture & equipment	6,590,268	6,830,577	6,804,614	6,853,265	7,016,020	7,214,182	7,209,897	7,322,966	7,571,419	7,742,850
Machinery & equipment	2,677,726	2,973,004	2,929,343	3,052,184	3,520,150	4,051,862	5,002,506	5,455,902	5,538,344	5,391,878
Vehicles & accessories	6,598,136	7,932,676	8,453,437	8,451,349	9,361,895	9,697,562	9,822,479	9,747,902	9,753,125	8,852,228
Software model development	-	10,653,560	15,550,396	15,493,371	15,908,870	15,908,870	15,908,870	15,908,869	15,908,869	15,908,869
Total capital assets being depreciated	554,928,025	613,026,987	705,745,411	744,840,907	1,000,391,206	1,040,134,613	1,087,543,288	1,098,639,486	1,113,551,665	1,127,776,683
Total Capital Assets	\$ 696,038,030	\$ 764,869,740	\$ 900,433,847	\$ 999,398,078	\$ 1,061,667,311	\$ 1,095,685,232	\$ 1,108,688,583	\$ 1,123,334,602	\$ 1,137,661,894	\$ 1,151,500,072
Less accumulated depreciation										
Land improvements	\$ (1,009,456)	\$ (1,118,644)	\$ (1,241,117)	\$ (1,358,578)	\$ (1,477,798)	\$ (1,591,572)	\$ (1,635,696)	\$ (1,679,858)	\$ (1,724,145)	\$ (1,786,574)
Collection system	(73,520,035)	(83,743,759)	(93,300,798)	(102,850,841)	(113,355,140)	(125,774,905)	(138,496,498)	(151,767,136)	(165,176,207)	(178,628,652)
Pump stations	(22,196,349)	(24,325,577)	(25,108,665)	(27,382,032)	(28,693,839)	(31,526,428)	(33,571,403)	(37,884,201)	(41,952,508)	(46,447,420)
Treatment and disposal	(51,998,328)	(54,292,557)	(49,548,628)	(51,539,907)	(55,643,376)	(60,692,552)	(65,061,274)	(70,564,654)	(76,142,502)	(82,018,599)
General Buildings & structures	(1,675,594)	(5,160,865)	(7,995,310)	(9,955,759)	(11,008,015)	(12,051,636)	(13,095,891)	(14,140,146)	(15,039,381)	(15,541,233)
Office furniture & equipment	(4,595,391)	(5,107,743)	(5,255,778)	(5,435,284)	(5,620,625)	(5,756,378)	(5,907,818)	(6,054,188)	(6,211,401)	(6,447,209)
Machinery & equipment	(1,415,722)	(1,689,687)	(1,883,592)	(2,190,830)	(2,493,010)	(2,829,882)	(3,195,826)	(3,594,893)	(4,041,980)	(3,972,588)
Vehicles & accessories	(3,967,293)	(4,761,631)	(5,339,115)	(6,205,755)	(6,875,711)	(7,631,498)	(8,055,730)	(8,407,105)	(8,894,194)	(8,398,025)
Software model development	-	(1,722,219)	(6,105,960)	(11,254,166)	(14,740,868)	(15,699,700)	(15,839,493)	(15,908,869)	(15,908,869)	(15,908,869)
Total accumulated depreciation	(160,378,168)	(181,922,682)	(195,778,963)	(218,173,152)	(239,908,382)	(263,554,551)	(284,859,629)	(310,001,050)	(335,091,187)	(359,149,169)
Total Capital Assets, Net	\$ 535,659,862	\$ 582,947,058	\$ 704,654,884	\$ 781,224,927	\$ 821,758,929	\$ 832,130,680	\$ 823,828,954	\$ 813,333,552	\$ 802,570,707	\$ 792,350,903

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Capital Assets Not Depreciated										
Land/Easements	\$ -	\$ -	\$ -	\$ 24,147	\$ 409,729	\$ 466,990	\$ 528,073	\$ 555,072	\$ 720,023	\$ 861,938
Construction in Progress	10,480,818	8,825,474	9,857,446	7,946,163	3,460,048	1,019,566	1,744,120	2,777,794	2,460,077	3,469,292
Total Capital Assets Not Depreciated	<u>10,480,818</u>	<u>8,825,474</u>	<u>9,857,446</u>	<u>7,970,310</u>	<u>3,869,777</u>	<u>1,486,556</u>	<u>2,272,192</u>	<u>3,332,866</u>	<u>3,180,100</u>	<u>4,331,230</u>
Capital Assets being depreciated										
Collection system	\$ 17,264,989	\$ 21,443,446	\$ 233,054,167	\$ 346,148,776	\$ 356,814,655	\$ 374,959,786	\$ 380,376,561	\$ 387,981,011	\$ 396,875,775	\$ 406,119,483
Machinery & equipment	-	-	-	-	-	56,096	47,634	54,485	74,201	103,041
Vehicles & accessories	-	-	-	-	-	-	52,500	52,499	52,499	83,853
Software model development	-	3,516,692	3,516,692	3,486,100	5,645,160	5,645,160	5,645,160	5,645,160	5,645,160	5,645,160
Total capital assets being depreciated	<u>17,264,989</u>	<u>24,960,139</u>	<u>236,570,860</u>	<u>349,634,876</u>	<u>362,459,814</u>	<u>380,661,042</u>	<u>386,121,855</u>	<u>393,733,155</u>	<u>402,647,635</u>	<u>411,951,537</u>
Total Capital Assets	<u>\$ 27,745,807</u>	<u>\$ 33,785,613</u>	<u>\$ 246,428,306</u>	<u>\$ 357,605,186</u>	<u>\$ 366,329,591</u>	<u>\$ 382,147,597</u>	<u>\$ 388,394,047</u>	<u>\$ 397,066,021</u>	<u>\$ 405,827,735</u>	<u>\$ 416,282,767</u>
Less accumulated depreciation										
Collection system	\$ (1,391,668)	\$ (2,829,739)	\$ (8,798,295)	\$ (20,518,853)	\$ (34,404,861)	\$ (48,472,648)	\$ (62,664,243)	\$ (77,057,737)	\$ (91,404,691)	\$ (105,713,407)
Machinery & equipment	-	-	-	-	-	(4,021)	(5,466)	(10,566)	(17,008)	(48,990)
Vehicles & accessories	-	-	-	-	-	-	(10,207)	(20,701)	(31,224)	(73,072)
Software model development	-	(584,510)	(1,756,740)	(2,903,491)	(3,846,600)	(4,565,630)	(5,284,660)	(5,645,160)	(5,645,160)	(5,645,160)
Total accumulated depreciation	<u>(1,391,668)</u>	<u>(3,414,248)</u>	<u>(10,555,035)</u>	<u>(23,422,344)</u>	<u>(38,251,461)</u>	<u>(53,042,299)</u>	<u>(67,964,575)</u>	<u>(82,734,164)</u>	<u>(97,098,083)</u>	<u>(111,480,629)</u>
Total Capital Assets, Net	<u>\$ 26,354,139</u>	<u>\$ 30,371,365</u>	<u>\$ 235,873,270</u>	<u>\$ 334,182,842</u>	<u>\$ 328,078,130</u>	<u>\$ 329,105,298</u>	<u>\$ 320,429,472</u>	<u>\$ 314,331,857</u>	<u>\$ 308,729,652</u>	<u>\$ 304,802,138</u>

Sanitation District No. 1 Schedule of Sanitary Sewer Rates, Rate Determination, and Percentage Change Fiscal Years 2008-2009

	2008		2009	
Water Usage in 100 Cubic Feet (HCF)	Rate	% Change	Rate	% Change
0-800	3.18	20%	3.82	20%
801-5,000	3.00	20%	3.60	20%
5,001-25,000	2.69	20%	3.23	20%
25,001-100,000	2.30	20%	2.76	20%
Over 100,0000	2.09	20%	2.51	20%
Quarterly minimum bill	19.08	20%	22.92	20%
Unmetered Service				
1 or 2 room house	28.59	20%	34.31	20%
3 to 6 room house	46.94	20%	56.33	20%
More than 6 rooms	62.09	20%	74.51	20%

Source: SD1 accounting records

Sanitation District No. 1 Schedule of Sanitary Sewer Rates, Rate Determination, and Percentage Change Fiscal Years 2010-2017

Fiscal Year

Non-Residential (1)

Water Usage in 100 Cubic Feet (HCF)	2010		2011		2012		2013		2014		2015		2016		2017	
	Rate	% Change	Rate	% Change	Rate	% Change	Rate	% Change	Rate	% Change	Rate	% Change	Rate	% Change	Rate	% Change
0-1,700	4.40	15%	5.06	15%	5.82	15%	6.69	15%	6.69	0%	7.02	5%	7.02	0%	7.37	5%
1,701-8,400	3.95	15%	4.54	15%	5.22	15%	6.00	15%	6.00	0%	6.30	5%	6.30	0%	6.61	5%
Over 8,400	3.05	15%	3.51	15%	4.04	15%	4.65	15%	4.65	0%	4.88	5%	4.88	0%	5.12	5%
Monthly minimum bill	8.80	15%	10.12	15%	11.64	15%	13.38	15%	13.38	0%	14.04	5%	14.04	0%	14.74	5%

Residential (2)

Water Usage in 100 Cubic Feet (HCF)		2010		2011		2012		2013		2014		2015		2016		2017	
		Rate	% Change	Rate	% Change	Rate	% Change	Rate	% Change	Rate	% Change	Rate	% Change	Rate	% Change	Rate	% Change
Flat rate per 100 Cubic Feet (HCF)		4.40	15%	5.06	15%	5.82	15%	6.69	15%	6.69	0%	7.02	5%	7.02	0%	7.37	5%
Monthly minimum bill		8.80	15%	10.12	15%	11.64	15%	13.38	15%	13.38	0%	14.04	5%	14.04	0%	14.74	5%

Unmetered Service

1 or 2 room house	13.15	15%	15.12	15%	17.39	15%	20.00	15%	20.00	0%	21.00	5%	21.00	0%	22.05	5%
3 to 6 room house	21.59	15%	24.83	15%	28.55	15%	32.84	15%	32.84	0%	34.48	5%	34.48	0%	36.20	5%
More than 6 rooms	28.56	15%	32.84	15%	37.77	15%	43.43	15%	43.43	0%	45.60	5%	45.60	0%	47.88	5%

Effective with Fiscal Year 2010 SD1 switched from a quarterly billing to a monthly billing.

(1) Based on monthly metered water usage

(2) **Winter Factor** billing - Based on metered water usage during the months of November through February only.

Source: SD1 accounting records

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

	Fiscal Year									
	2008		2009		2010		2011		2012	
Monthly Rate Per ERU	4.18	4.0%	4.30	2.9%	4.47	4.0%	4.44	-0.7%	4.54	2.3%
Quarterly Rate Per ERU	12.54	4.0%	12.90	2.9%	13.41	4.0%	13.32	-0.7%	13.62	2.3%
	2013		2014		2015		2016		2017	
Monthly Rate Per ERU	4.68	3.1%	4.80	2.6%	5.04	5.0%	5.04	0.0%	5.04	0.0%
Quarterly Rate Per ERU	14.04	3.1%	14.40	2.6%	15.12	5.0%	15.12	0.0%	15.12	0.0%

Equivalent Residential Unit (ERU) =2,600 square feet

All residential properties are based on one ERU

Non-residential properties are based on total amount of impervious area.

Source: SD1 accounting records

Sanitation District No. 1 Sewer & Storm Water Revenues Breakdown By Billing Class Fiscal Year 2008 through Fiscal Year 2009
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<u>Account Name</u>	<u>2008</u>	<u>2009</u>
Sewer Service Revenues		
All Classes	\$ 41,059,987	\$ 46,476,573
Less: Special Meter Refunds	(1,364,225)	(704,227)
Total Sewer Revenues	\$ 39,695,762	\$ 45,772,346
 Sewer Service Penalties		
All Classes	\$ 716,836	\$ 983,034
Total Sewer Service Penalties	\$ 716,836	\$ 983,034
 Total Sewer Service Write Offs	\$ (788,702)	\$ (829,792)
 Percentage of Write Off's to Revenues & Penalties Billed	1.95%	1.77%
Net Sewer Service Revenues	\$ 39,623,896	\$ 45,925,588
 Storm Water Revenues		
All Classes	\$ 9,876,767	\$ 10,435,851
Total Storm Water Revenues	\$ 9,876,767	\$ 10,435,851
 Storm Water Service Penalties		
All Classes	\$ 141,579	\$ 180,306
Total Sewer Service Penalties	\$ 141,579	\$ 180,306
 Total Storm Water Write Offs	\$ (137,619)	\$ (134,317)
 Percentage of Write Off's to Revenues & Penalties Billed	1.37%	1.27%
Net Storm Water Revenues	\$ 9,880,727	\$ 10,481,840
 Customer Accounts		
Sewer Service Accounts Estimates		
All Classes	\$ 101,753	\$ 102,377
Total Sewer Accounts	\$ 101,753	\$ 102,377
 Storm Water Accounts Estimates		
All Classes	\$ 95,202	\$ 95,242
Total Storm Water Accounts	\$ 95,202	\$ 95,242

Source: SD1 billing registers

Sanitation District No. 1
Sewer & Storm Water Revenues Breakdown By Billing Class
Fiscal Year 2010 through Fiscal Year 2017

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

Source: SD1 billing registers

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

<u>Account Name</u>	<u>Rank</u>	<u>2008</u> <u>Amount</u>	<u>Rank</u>	<u>2009</u> <u>Amount</u>	<u>Rank</u>	<u>2010</u> <u>Amount</u>	<u>Rank</u>	<u>2011</u> <u>Amount</u>	<u>Rank</u>	<u>2012</u> <u>Amount</u>	<u>Rank</u>	<u>2013</u> <u>Amount</u>	<u>Rank</u>	<u>2014</u> <u>Amount</u>	<u>Rank</u>	<u>2015</u> <u>Amount</u>	<u>Rank</u>	<u>2016</u> <u>Amount</u>	<u>Rank</u>	<u>2017</u> <u>Amount</u>
Tastemaker	5	\$ 399,840	6	\$ 430,054	5	\$ 587,362	4	\$ 837,632	1	\$ 1,157,417	3	\$ 1,028,552	3	\$ 1,146,195	4	\$ 822,642	4	\$ 958,373	1	\$ 1,107,495
Lyons-Magnus	11	174,313	3	566,913	1	843,285	7	546,871	3	1,019,216	2	1,182,776	2	1,538,917	2	1,204,321	1	1,615,030	2	1,100,900
Club Chef	4	448,424	5	455,894	4	623,082	1	1,251,689	2	1,069,091	1	1,311,655	2	1,372,054	1	1,372,423	2	1,088,042	3	975,106
Louis Trauth Dairy	2	558,643	1	623,668	3	747,035	2	1,172,055	7	509,831	NR	-	NR	-	NR	-	NR	-	NR	-
Sara Lee Foods	6	260,304	2	617,663	2	791,861	3	895,635	4	723,700	4	782,726	4	825,285	3	903,273	3	972,766	4	922,489
Kenton County Airport	3	467,683	7	429,853	8	393,043	8	435,974	5	552,602	8	394,268	6	522,655	8	502,826	5	608,236	5	611,417
Messier Bugatti / A. Carb, LLC	NR	-	13	168,843	26	21,619	17	129,319	17	98,778	12	223,102	10	379,003	5	607,446	9	361,952	6	600,269
St. Elizabeth Medical Center	10	211,334	9	263,175	9	379,980	9	389,315	8	451,730	6	446,716	8	482,879	7	508,252	11	226,020	7	472,598
Northern KY University	12	161,981	11	223,303	11	228,095	10	269,716	9	299,722	9	353,675	11	343,137	11	377,734	7	475,052	8	454,166
L'Oreal USA Florence	1	611,822	4	527,940	6	549,274	6	637,404	10	280,710	7	420,436	12	340,063	9	499,568	8	419,843	9	443,709
Wild Flavors, Inc.	8	251,089	10	260,151	7	411,851	12	238,096	12	244,354	11	242,264	9	421,525	12	259,187	10	349,419	10	441,625
Globel Supply Chain	9	245,553	8	329,698	10	377,462	5	702,878	6	523,358	5	614,053	5	549,175	6	509,262	6	497,523	11	317,909
Camco Chemical Company	23	29,287	18	56,396	18	57,255	13	170,993	18	94,871	15	132,931	14	127,565	13	170,205	15	146,778	12	265,518
A.O. Smith	15	81,010	16	106,431	16	114,038	14	152,804	15	115,562	14	140,546	13	160,667	14	145,003	12	160,920	13	240,921
Bluegrass Quality Meats	14	113,344	17	102,710	12	173,946	16	130,240	13	198,196	13	171,155	16	119,736	17	100,049	13	159,854	14	147,238
Aristech Acrylics LLC	20	33,327	14	159,129	13	167,111	20	85,342	19	79,541	18	84,969	18	87,439	16	103,218	16	118,494	15	127,129
White Castle Distributing, Inc.	16	53,623	19	49,936	15	119,507	15	148,151	16	109,605	16	98,080	15	126,327	15	144,594	14	148,104	16	114,072
Amer/Pride-WPS Energy Service	21	32,123	22	37,754	21	43,468	21	53,490	22	63,856	19	76,559	17	89,950	18	95,567	19	86,217	17	69,492
Emerald Industries, Inc.	19	37,714	21	46,552	20	47,654	18	105,251	20	67,987	20	73,309	21	64,365	23	56,222	20	63,396	18	69,171
Van Melle USA, Inc.	17	45,046	25	15,625	28	15,576	26	31,162	21	66,437	21	54,612	20	65,541	20	70,274	18	88,321	19	65,020
Environmental Services Inc. (Ultra Er	34	1,137	28	12,244	25	22,065	27	30,466	25	25,848	24	33,490	22	58,276	25	48,577	23	45,696	20	59,588
Northern KY Water District	7	259,957	12	174,294	17	107,123	19	91,264	14	156,749	17	88,530	24	34,940	22	65,537	21	53,282	21	54,064
IOFINA Chemical Inc.	24	23,356	27	12,659	23	27,000	25	31,800	24	31,097	25	30,206	27	29,886	24	51,695	22	49,986	22	44,076
Signode Plastic Recycling	13	156,499	15	129,451	14	140,662	11	253,423	11	264,883	10	346,203	7	507,622	10	426,273	17	112,122	23	42,269
Turfway Park	22	30,353	23	34,894	22	32,497	22	42,440	23	41,769	23	41,622	23	51,378	19	82,742	26	40,804	24	41,575
Duro Paper Bag	18	41,762	20	47,494	19	48,558	23	41,278	27	23,581	22	48,402	19	77,187	21	68,451	24	44,801	25	37,309
Savannah Foods & Industries	25	18,249	29	9,312	31	8,840	33	7,726	29	15,980	27	22,168	25	32,642	27	25,843	27	22,482	26	29,636
Domino's National Comm.	NR	-	34	1,297	24	24,538	24	32,864	26	24,318	26	27,592	26	30,558	29	24,191	30	10,702	27	24,914
Highway Transport Chemical LLC	26	14,364	26	13,327	27	17,820	28	17,030	28	17,981	29	15,506	28	19,519	28	24,638	28	17,279	28	22,488
Boge Rubber & Plastics	NR	-	NR	-	NR	-	NR	-	NR	-	NR	-	NR	-	26	26,014	25	41,811	29	14,764
The David J. Joseph	28	7,279	31	6,691	29	11,592	32	10,826	31	4,066	31	10,993	31	11,513	30	12,496	29	11,807	30	10,651

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.

<u>Company Name</u>	<u>Type of Business</u>	<u>Company Name</u>	<u>Type of Business</u>
A. Camacho Inc.	Porcini and olive packaging plan. No longer in business locally.	L'Oreal USA Florence	Produces shampoos, conditioners & styling products
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.	Sara Lee Foods	Meat and meat products processor.
Camco Chemical Company	Contract packaging and chemical manufacturer.	Savannah Foods & Industries	Bulk sugar refinery.
Club Chef	Producer of fresh cut produce.	Signode Plastic Recycling	Manufacturer and distributor of protective packaging systems.
Domino's National Comm.	Dominos pizza dough distribution center.	St. Elizabeth Medical Center	General medicine and surgical hospital.
Duro Paper Bag	Largest paper bag manufacturer in the world/	Tastemaker	Givaudan Flavors - Swiss manufacturer of flavorings and fragrances.
Emerald Industries, Inc.	Kellogg's - Cookie and cracker manufacturer.	Tressa Inc.	Hair care product manufacturing including shampoos.
Environmental Services Inc.	Ultra Environmental Service Inc. - Liquid waste collection and disposal.	Turfway Park	Thoroughbred horse racing track.
Globel Supply Chain	Schwan's - Produces Freshcetta pizza products.	Van Melle USA, Inc.	Perfetti Van Melle-Manufactures variety of confectionery items including flavored gums and Airheads brand fruit chews.
Highway Transport Chemical LLC	Tanker truck washing facility.	White Castle Distributing, Inc.	Markets and distributes frozen and microwavable hamburgers.
IOFINA Chemical Inc.	Production of iodine, iodine specialty chemical derivatives, produced water and natural gas.	Wild Flavors, Inc.	Produces natural flavors and ingredients for the beverage industry.
Kenton County Airport	Greater Cincinnati Northern Kentucky International Airport (CVG)		

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
System Revenues										
Total Operating Revenues	\$ 56,815,019	\$ 61,670,848	\$ 69,395,510	\$ 78,396,323	\$ 83,951,284	\$ 89,707,117	\$ 92,660,157	\$ 94,462,113	\$ 94,435,079	\$ 98,976,003
Total Non-Operating Revenues	5,280,998	2,064,125	2,255,069	5,126,472	4,529,743	4,422,445	4,097,921	4,122,030	4,312,928	4,618,229
Total System Revenues	\$ 62,096,017	\$ 63,734,973	\$ 71,650,579	\$ 83,522,795	\$ 88,481,027	\$ 94,129,562	\$ 96,758,078	\$ 98,584,143	\$ 98,748,007	\$ 103,594,232
Operating Expenses										
Operation, Maintenance & Administration										
Salary Expense	\$ 6,823,087	\$ 7,397,037	\$ 6,824,325	\$ 7,666,779	\$ 7,875,727	\$ 10,352,734	\$ 11,423,914	\$ 11,545,248	11,657,207	12,215,331
Employee Benefit & Incentive Expenses	4,987,591	5,144,969	5,819,271	5,776,673	6,628,400	7,539,280	7,046,809	8,160,719	7,934,077	8,710,860
Professional & Contractual Services	1,614,396	1,758,011	2,779,872	3,063,454	3,778,654	5,216,695	4,918,068	6,090,769	6,142,324	6,281,104
Office Administration Expenses	1,200,378	1,347,218	1,743,401	1,434,543	1,742,980	1,903,439	1,759,589	1,895,657	1,777,837	1,661,077
Utilities, Fuel Oil & Chemical Expenses	6,595,898	6,551,357	7,198,145	7,316,763	7,362,096	7,685,268	7,311,989	7,403,662	6,999,416	7,179,355
Vehicle Operation Expenses	1,216,854	1,037,133	1,096,654	1,163,239	1,276,021	1,087,065	1,068,097	983,314	885,648	824,241
Infrastructure, Equipment & Other Expenses	1,560,922	1,755,982	2,372,647	1,997,122	2,355,828	2,760,362	2,824,155	2,818,327	3,192,058	3,104,240
Supplemental / State Environmental Projects	30,051	82,951	283,029	202,182	61,218	-	1,924	-	-	-
Other Expenses	7,831	-	-	-	-	-	-	-	-	-
Total Operation, Maintenance & Administration	\$ 24,037,008	\$ 25,074,658	\$ 28,117,344	\$ 28,620,755	\$ 31,080,924	\$ 36,544,843	\$ 36,354,545	\$ 38,897,696	\$ 38,588,567	\$ 39,976,208
Major Repairs and Other Expenses	\$ 6,447,722	\$ 3,134,429	\$ 4,797,653	\$ 6,172,970	\$ 4,912,935	\$ 4,495,306	\$ 1,291,040	\$ 1,414,072	\$ 1,720,103	\$ 876,520
Net System Revenues	\$ 31,611,287	\$ 35,525,886	\$ 38,735,582	\$ 48,729,070	\$ 52,487,168	\$ 53,089,413	\$ 59,112,493	\$ 58,272,375	\$ 58,439,337	\$ 62,741,504
Revenue Bonds (Senior Debt) - Principal & Interest Due										
Series 1998A - (Revenue Bonds)	\$ 2,656,806	\$ 2,651,513	-	-	-	-	-	-	-	-
Series 2001A - (Revenue Bonds)	3,407,363	3,398,988	\$ 3,393,700	\$ 2,335,025	\$ 1,271,000	-	-	-	-	-
Series 2005A - (Refunding Bonds)	1,647,900	1,647,900	4,205,300	4,198,100	4,196,300	\$ 4,194,600	\$ 4,187,900	\$ 4,186,000	\$ 4,183,600	\$ 4,010,500
Series 2006A - (Revenue Bonds)	2,163,954	3,025,034	3,021,441	3,021,236	3,019,311	3,015,666	3,010,301	3,008,109	3,008,874	2,126,859
Series 2007A - (Revenue Bonds)	837,458	5,843,050	5,946,850	5,956,850	5,969,750	5,980,450	6,003,650	6,019,150	6,025,375	3,748,500
Series 2009A - (Build America Bonds)	-	-	1,649,911	4,375,599	4,368,726	4,359,976	4,348,839	4,329,816	4,314,924	4,295,341
Series 2010A - (Build America Bonds)	-	-	-	2,821,606	5,459,545	5,452,139	5,439,214	5,428,479	5,409,567	5,388,239
Series 2010B - (Refunding Bonds)	-	-	-	522,196	1,770,625	3,031,725	3,019,825	3,012,475	3,005,425	2,998,488
Series 2010C - (Build America Bonds)	-	-	-	56,819	1,984,364	1,976,149	1,973,859	1,965,253	1,953,390	1,940,278
Series 2010D - (Recovery Zone Economic Dev. Bonds)	-	-	-	226,225	2,467,913	2,467,913	2,467,913	2,467,913	2,467,913	2,467,913
Series 2016A - (Refunding Bonds)	-	-	-	-	-	-	-	-	-	1,377,110
Total Principal & Interest on Revenue Bonds	\$ 10,713,481	\$ 16,566,485	\$ 18,217,202	\$ 23,513,656	\$ 30,507,534	\$ 30,478,618	\$ 30,451,500	\$ 30,417,194	\$ 30,369,068	\$ 28,353,227
Debt Service Coverage Ratio - Bonds (Senior Debt)										
* Calculated	295%	214%	213%	207%	172%	174%	194%	192%	192%	221%
** Required	125%	125%	125%	125%	125%	125%	125%	125%	125%	125%

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

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

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
KIA & Other Notes (Subordinate Debt) Principal & Interest Due										
Melbourne	-	-	-	-	-	-	-	-	-	-
A04-09 Eastern Regional Water Reclamation Facility	\$ 1,437,283	\$ 2,226,866	\$ 2,229,761	\$ 2,227,222	\$ 2,224,607	\$ 2,221,913	\$ 2,216,315	\$ 2,208,243	\$ 2,205,308	\$ 2,202,284
A08-04 Western Regional Water Reclamation Facility Construction Project	-	-	122,229	397,353	612,243	696,509	3,974,631	3,968,312	3,961,931	3,955,485
A09-04 Dry Creek WWTP Clarifier Project	-	-	-	18,742	175,650	309,015	309,102	308,683	308,255	307,819
A09-05 Sunnybrook Sewer Project	-	-	-	167,114	343,158	342,702	342,238	341,763	341,280	340,786
A09-06 South Fork / Gunpowder Interceptor Construction Project	-	-	-	-	98,453	245,559	800,930	799,877	798,803	797,708
A09-07 Frogtown Interceptor	-	-	-	-	30,258	187,232	297,079	296,685	296,282	295,872
A09-08 Turkeyfoot Rd / Industrial Rd. Force Main Project	-	-	-	8,674	14,234	32,496	135,410	134,996	134,815	134,630
A09-09 Narrows Road Diversion Pump Station Construction Project	-	-	-	-	54,142	146,658	507,838	506,806	506,126	505,432
A10-11 Dry Creek Headworks Construction Project	-	-	-	-	-	112,407	269,750	1,003,396	1,004,284	1,002,936
A11-13 - Church St, Lakeview, & KY Aire Pump Station Replacement	-	-	-	-	-	-	114,300	174,829	202,912	213,112
A11-14 Lakeside Park & Vernon Lane Projects	-	-	-	-	-	-	9,195	21,538	23,245	26,840
A12-02 Wolpert Pump station Rehab & Force Main Replacement	-	-	-	-	-	26,903	53,539	53,468	53,395	53,321
A15-103 Patton & 8th Street Wet Well Rehab	-	-	-	-	-	-	-	-	12,525	132,558
A209-01 ARRA Banklick Creek Sewer Project	-	-	-	5,155	11,891	11,876	11,860	11,843	11,826	11,809
A209-02 ARRA Banklick Creek Wetlands Project	-	-	-	343	19,424	41,385	41,299	41,243	41,187	41,128
A209-03 ARRA Regional Bioretention Project	-	-	-	-	26,510	45,050	44,989	44,928	44,865	44,801
A209-04 ARRA Terraced Reforestation Project	-	-	-	-	2,496	23,455	25,098	25,065	25,030	24,995
Total KIA & Other Notes Principal & Interest	\$ 1,437,283	\$ 2,226,866	\$ 2,351,990	\$ 2,824,603	\$ 3,613,066	\$ 4,443,161	\$ 9,153,571	\$ 9,941,675	\$ 9,972,069	\$ 10,091,516
All Bonds & Notes-Annual Principal and Interest Payments	\$ 12,150,763	\$ 18,793,351	\$ 20,569,192	\$ 26,338,260	\$ 34,120,600	\$ 34,921,779	\$ 39,605,071	\$ 40,358,870	\$ 40,341,137	\$ 38,444,743
All Debt Service Coverage Ratio										
*** Calculated	260%	189%	188%	185%	154%	152%	149%	144%	145%	163%

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

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

Fiscal Year	Revenue Bonds (1)	Notes Payable	Total Outstanding Debt	Sewer Service Accounts (2)	Outstanding Debt per Sewer Service Account	Total Assets	Debt to Assets Ratio
2008	238,762,524	30,703,593	269,466,117	101,753	2,648	722,884,220	37.3%
2009	232,707,468	33,757,027	266,464,495	102,377	2,603	735,843,507	36.2%
2010	354,530,647	60,501,607	415,032,254	100,537	4,128	1,101,911,219	37.7%
2011	410,940,967	102,925,602	513,866,569	101,996	5,038	1,296,717,981	39.6%
2012	399,438,266	136,575,098	536,013,364	102,126	5,249	1,313,125,118	40.8%
2013	390,573,277	152,798,766	543,372,043	102,413	5,306	1,324,632,600	41.0%
2014	378,139,936	153,411,373	531,551,310	102,847	5,168	1,314,150,576	40.4%
2015	365,383,540	147,961,008	513,344,549	103,572	4,956	1,284,648,583	40.0%
2016	352,290,207	142,882,485	495,172,692	104,500	4,738	1,270,906,113	39.0%
2017	339,854,416	136,724,420	476,578,836	105,497	4,517	1,262,790,981	37.7%

(1) Presented net of original issuance discounts and premiums

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

NORTHERN KY COUNTIES	2007 (ACS 3-Year Estimates)				2008 (ACS 3-Year Estimates)				2009 (ACS 5-Year Estimates)			
	BOONE	CAMPBELL	KENTON	COMBINED	BOONE	CAMPBELL	KENTON	COMBINED	BOONE	CAMPBELL	KENTON	COMBINED
POPULATION												
Total Population	109,075	86,899	155,104	351,078	112,096	86,862	156,414	355,372	112,514	87,509	156,399	356,422
Median Age (years)	34.2	37.7	36.1	n/a	34.2	38.1	36.7	n/a	35.0	37.1	35.5	n/a
HOUSEHOLDS												
Total Households	39,646	35,156	61,452	136,254	40,769	35,255	63,064	139,088	40,722	35,185	63,276	139,183
Average Household Size	2.73	2.40	2.48	2.53	2.73	2.35	2.44	2.50	2.74	2.38	2.44	2.51
Populations in Households	108,085	84,311	152,683	345,079	111,292	82,976	154,130	348,398	111,699	83,569	154,415	349,683
Population 25 years and older	69,497	57,221	101,854	228,572	77,489	61,841	110,320	249,650	77,848	63,072	111,613	252,533
HOUSING OCCUPANCY												
Total Housing Units	43,089	38,645	69,376	151,110	44,168	38,921	70,244	153,333	43,933	38,961	70,043	152,937
Occupied Housing Units	39,646	35,156	61,452	136,254	40,769	35,255	63,064	139,088	40,722	35,185	63,276	139,183
Owner-Occupied Units	28,841	25,731	43,191	97,763	30,700	25,638	43,337	99,675	30,931	25,691	43,983	100,605
Renter-Occupied Units	10,805	9,425	18,261	38,491	10,069	9,617	19,727	39,413	9,791	9,494	19,293	38,578
Vacant Housing Units	3,443	3,489	7,924	14,856	3,399	3,666	7,180	14,245	3,211	3,776	6,767	13,754
Vacant Housing Rate	8.0%	9.0%	11.4%	9.8%	7.7%	9.4%	10.2%	9.3%	7.3%	9.7%	9.7%	9.0%
Median (Value)	\$ 171,900	\$ 137,300	\$ 139,800	n/a	\$ 177,700	\$ 142,900	\$ 146,200	n/a	\$ 173,800	\$ 141,300	\$ 142,700	n/a
EMPLOYMENT STATUS												
Population 16 years and older	82,069	68,300	119,786	270,155	84,660	68,579	120,424	273,663	84,532	69,611	121,683	275,826
Population in Civilian Labor Force	62,098	46,077	82,591	190,766	64,266	46,308	84,219	194,793	62,676	47,081	84,983	194,740
Employed	59,322	43,546	78,096	180,964	61,637	43,735	80,294	185,666	59,337	44,305	79,911	183,553
Employed Percentage	72.3%	63.8%	65.2%	67.0%	72.8%	63.8%	66.7%	67.8%	70.2%	63.6%	65.7%	66.5%
Unemployed	2,776	2,531	4,495	9,802	2,570	2,573	3,925	9,068	3,339	2,776	5,072	11,187
Unemployed Percentage	3.4%	3.7%	3.8%	3.6%	3.0%	3.8%	3.3%	3.3%	3.9%	4.0%	4.2%	4.1%
INCOME												
Median Household Income	\$ 62,334	\$ 50,084	\$ 52,600	n/a	\$ 65,979	\$ 50,830	\$ 53,872	n/a	\$ 65,964	\$ 51,890	\$ 53,219	n/a
Mean Household Income	\$ 73,342	\$ 64,549	\$ 65,322	\$ 67,456	\$ 76,889	\$ 67,908	\$ 68,609	\$ 70,858	\$ 76,035	\$ 66,448	\$ 67,358	\$ 69,667
Per Capita Income	\$ 27,400	\$ 26,590	\$ 26,059	\$ 26,609	\$ 28,526	\$ 27,700	\$ 27,485	\$ 27,869	\$ 28,112	\$ 27,138	\$ 27,305	\$ 27,523
POVERTY LEVEL												
Percentage whose Income in the past 12-months is below Poverty Level.												
All Families	5.7%	8.1%	7.8%	7.2%	4.2%	7.9%	8.2%	6.8%	5.0%	7.5%	8.7%	7.0%
All People	6.9%	10.7%	10.7%	9.5%	5.8%	11.1%	10.4%	9.1%	6.6%	10.4%	10.9%	9.4%
Under 18 Years	9.6%	15.3%	14.4%	n/a	6.5%	16.6%	14.4%	n/a	8.8%	15.2%	16.0%	13.4%
65 Years and Older	8.0%	9.1%	8.1%	n/a	7.7%	10.9%	8.4%	n/a	6.7%	8.4%	7.6%	7.6%

Source: factfinder2.census.gov/

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

NORTHERN KY COUNTIES	<u>2010 (ACS 5-Year Estimates)</u>				<u>2011 (ACS 5-Year Estimates)</u>				<u>2012 (ACS 5-Year Estimates)</u>			
	<u>BOONE</u>	<u>CAMPBELL</u>	<u>KENTON</u>	<u>COMBINED</u>	<u>BOONE</u>	<u>CAMPBELL</u>	<u>KENTON</u>	<u>COMBINED</u>	<u>BOONE</u>	<u>CAMPBELL</u>	<u>KENTON</u>	<u>COMBINED</u>
POPULATION												
Total Population	114,723	89,016	158,034	361,773	117,216	89,598	159,008	365,822	119,406	90,119	159,926	369,451
Median Age (years)	35.1	37.2	36.0	n/a	35.4	37.0	36.0	n/a	35.7	36.9	36.2	n/a
HOUSEHOLDS												
Total Households	41,612	35,300	61,912	138,824	41,843	35,258	62,054	139,155	42,617	35,235	62,260	140,112
Average Household Size	2.74	2.41	2.52	2.56	2.78	2.47	2.52	2.59	2.78	2.48	2.53	2.59
Populations in Households	114,026	84,982	155,997	355,005	116,487	86,930	156,402	359,819	118,644	87,391	157,383	363,418
Population 21 years and older	78,519	63,859	112,276	254,654	80,378	64,499	113,339	258,216	82,033	65,184	114,494	261,711
Population 65 years and older	10,431	11,369	17,618	39,418	11,024	11,475	17,745	40,244	11,539	11,680	18,098	41,317
HOUSING OCCUPANCY												
Total Housing Units	45,053	39,185	68,768	153,006	45,694	39,385	68,901	153,980	46,196	39,497	69,053	154,746
Occupied Housing Units	41,612	35,300	61,912	138,824	41,843	35,258	62,054	139,155	42,617	35,235	62,260	140,112
Owner-Occupied Units	31,777	25,516	42,867	100,160	32,316	25,201	42,640	100,157	32,362	24,857	42,361	99,580
Renter-Occupied Units	9,835	9,784	19,045	38,664	9,527	10,057	19,414	38,998	10,255	10,378	19,899	40,532
Vacant Housing Units	3,441	3,885	6,856	14,182	3,851	4,127	6,847	14,825	3,579	4,262	6,793	14,634
Vacant Housing Rate	7.6%	9.9%	10.0%	9.3%	8.4%	10.5%	9.9%	9.6%	7.7%	10.8%	9.8%	9.5%
Median (Value) Owner-occupied units	\$ 175,900	\$ 146,300	\$ 145,200	n/a	\$ 175,200	\$ 145,500	\$ 146,700	n/a	\$ 173,000	\$ 147,600	\$ 146,200	n/a
EMPLOYMENT STATUS												
Population 16 years and older	85,506	71,034	122,683	279,223	87,382	71,593	123,695	282,670	89,053	72,133	124,387	285,573
Population in Civilian Labor Force	63,072	48,127	85,333	196,532	63,267	49,150	84,808	197,225	63,730	49,122	84,991	197,843
Employed	59,510	44,793	79,683	183,986	59,801	45,535	78,617	183,953	59,622	45,175	78,089	182,886
Employed Percentage	69.6%	63.1%	65.0%	65.9%	68.4%	63.6%	63.6%	65.1%	67.0%	62.6%	62.8%	64.0%
Unemployed	3,562	3,334	5,650	12,546	3,466	3,615	6,191	13,272	4,108	3,947	6,902	14,957
Unemployed Percentage	4.2%	4.7%	4.6%	4.5%	4.0%	5.0%	5.0%	4.7%	4.6%	5.5%	5.5%	5.2%
INCOME												
Median Household Income	\$ 66,549	\$ 51,482	\$ 53,213	n/a	\$ 68,087	\$ 53,018	\$ 53,375	n/a	\$ 67,125	\$ 53,580	\$ 53,900	n/a
Mean Household Income	\$ 77,789	\$ 66,869	\$ 68,247	\$ 70,757	\$ 79,126	\$ 67,773	\$ 69,117	\$ 71,786	\$ 78,904	\$ 67,013	\$ 69,366	\$ 71,675
Per Capita Income	\$ 28,520	\$ 27,096	\$ 27,205	\$ 27,601	\$ 28,630	\$ 27,501	\$ 27,484	\$ 27,859	\$ 28,640	\$ 27,063	\$ 27,669	\$ 27,840
POVERTY LEVEL												
Percentage whose Income in the past 12-months is below Poverty Level.												
All Families	5.8%	8.8%	8.4%	7.3%	5.5%	8.6%	9.5%	8.0%	6.4%	9.5%	10.1%	8.7%
All People	7.5%	11.3%	11.4%	10.1%	7.2%	11.3%	12.6%	10.5%	8.3%	12.4%	13.2%	11.4%
Under 18 Years	9.2%	16.5%	16.5%	13.9%	8.5%	15.8%	18.6%	14.4%	10.6%	17.2%	19.8%	15.9%
65 Years and Older	8.5%	8.2%	7.5%	8.0%	7.8%	7.4%	7.2%	7.4%	8.0%	6.5%	7.5%	7.4%

Source: factfinder2.census.gov/

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

NORTHERN KY COUNTIES	2013 (ACS 5-Year Estimates)				2014 (ACS 5-Year Estimates)				2015 (ACS 5-Year Estimates)			
	BOONE	CAMPBELL	KENTON	COMBINED	BOONE	CAMPBELL	KENTON	COMBINED	BOONE	CAMPBELL	KENTON	COMBINED
POPULATION												
Total Population	121,214	90,606	160,828	372,648	123,030	91,268	161,915	376,213	124,617	91,475	163,007	379,099
Median Age (years)	36.0	37.0	36.4	n/a	36.1	37.0	36.3	n/a	36.2	37.3	36.4	n/a
HOUSEHOLDS												
Total Households	43,255	35,203	61,800	140,258	43,903	35,478	61,962	141,343	44,709	35,477	62,225	142,411
Average Household Size	2.78	2.49	2.56	2.61	2.78	2.49	2.57	2.62	2.77	2.49	2.58	2.62
Populations in Households	120,390	87,830	158,303	366,523	122,141	88,307	159,438	369,886	123,644	88,421	160,718	372,783
Population 21 years and older	83,378	65,772	115,346	264,496	84,911	66,322	116,400	267,633	86,329	66,896	117,493	270,718
Population 65 years and older	12,107	11,856	18,552	42,515	12,724	12,004	19,225	43,953	13,236	12,365	19,988	45,589
HOUSING OCCUPANCY												
Total Housing Units	46,635	39,560	69,081	155,276	47,052	39,705	69,242	155,999	47,466	39,754	69,369	156,589
Occupied Housing Units	43,255	35,203	61,800	140,258	43,903	35,478	61,962	141,343	44,709	35,477	62,225	142,411
Owner-Occupied Units	32,649	24,643	42,038	99,330	32,561	24,417	41,536	98,514	32,785	24,368	40,956	98,109
Renter-Occupied Units	10,606	10,560	19,762	40,928	11,342	11,061	20,426	42,829	11,924	11,109	21,269	44,302
Vacant Housing Units	3,380	4,357	7,281	15,018	3,149	4,227	7,280	14,656	2,757	4,277	7,144	14,178
Vacant Housing Rate	7.2%	11.0%	10.5%	9.7%	6.7%	10.6%	10.5%	9.4%	5.8%	10.8%	10.3%	9.1%
Median (Value) Owner-occupied units	\$ 172,700	\$ 146,300	\$ 144,300	n/a	\$ 174,200	\$ 147,700	\$ 143,900	n/a	\$ 175,100	\$ 150,400	\$ 145,200	n/a
EMPLOYMENT STATUS												
Population 16 years and older	90,433	72,430	125,242	288,105	92,145	73,165	126,093	291,403	93,587	73,523	127,102	294,212
Population in Civilian Labor Force	64,347	49,548	85,459	199,354	65,546	49,526	85,229	200,301	66,346	49,211	86,096	201,653
Employed	59,917	45,336	77,880	183,133	61,454	45,481	78,082	185,017	62,624	45,872	79,447	187,943
Employed Percentage	66.3%	62.6%	62.2%	63.6%	66.7%	62.2%	61.9%	63.5%	66.9%	62.4%	62.5%	63.9%
Unemployed	4,430	4,212	7,579	16,221	4,092	4,045	7,147	15,284	3,722	3,339	6,649	13,710
Unemployed Percentage	4.9%	5.8%	6.1%	5.6%	4.4%	5.5%	5.7%	5.2%	4.0%	4.5%	5.2%	4.7%
INCOME												
Median Household Income	\$ 67,225	\$ 54,306	\$ 54,270	n/a	\$ 67,286	\$ 54,482	\$ 54,817	n/a	\$ 66,730	\$ 54,621	\$ 54,296	n/a
Mean Household Income	\$ 80,339	\$ 67,244	\$ 69,687	\$ 72,359	81,417	68,553	70,126	\$ 73,238	81,500	70,780	70,236	\$ 73,908
Per Capita Income	\$ 29,235	\$ 26,945	\$ 27,704	\$ 28,025	29,656	27,479	27,788	28,331	29,866	28,248	27,847	28,612
POVERTY LEVEL												
Percentage whose Income in the past 12-months is below Poverty Level.												
All Families	7.4%	10.0%	10.5%	9.3%	7.1%	10.4%	11.1%	9.6%	6.6%	10.3%	11.8%	9.6%
All People	9.0%	13.0%	13.7%	12.0%	8.7%	14.0%	14.3%	12.4%	8.2%	14.6%	14.6%	12.5%
Under 18 Years	12.2%	17.5%	20.8%	17.0%	11.7%	19.2%	21.8%	17.6%	11.2%	20.5%	23.0%	18.2%
65 Years and Older	6.9%	8.0%	8.3%	7.8%	8.2%	8.0%	8.8%	8.4%	5.9%	9.8%	8.5%	8.1%

Source: factfinder2.census.gov/

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

<u>NORTHERN KY COUNTIES</u>	<u>2016 (ACS 1-Year Estimates)</u>			
	<u>BOONE</u>	<u>CAMPBELL</u>	<u>KENTON</u>	<u>COMBINED</u>
POPULATION				
Total Population	128,536	92,211	164,945	385,692
Median Age (years)	37.0	37.7	37.4	n/a
HOUSEHOLDS				
Total Households	46,849	36,461	63,609	146,919
Average Household Size	2.72	2.44	2.56	2.58
Populations in Households	127,482	89,137	162,746	379,365
Population 21 years and older	89,183	68,449	120,591	278,223
Population 65 years and older	15,560	13,320	21,972	50,852
HOUSING OCCUPANCY				
Total Housing Units	48,770	40,171	69,821	158,762
Occupied Housing Units	46,849	36,461	63,609	146,919
Owner-Occupied Units	34,103	25,263	42,740	102,106
Renter-Occupied Units	12,746	11,198	20,869	44,813
Vacant Housing Units	1,921	3,710	6,212	11,843
Vacant Housing Rate	3.9%	9.2%	8.9%	7.5%
Median (Value) Owner-occupied units	\$ 178,600	\$ 166,000	\$ 153,000	n/a
EMPLOYMENT STATUS				
Population 16 years and older	98,529	75,143	129,272	302,944
Population in Civilian Labor Force	67,803	48,901	90,081	206,785
Employed	65,399	46,604	86,855	198,858
Employed Percentage	66.4%	62.0%	67.2%	65.6%
Unemployed	2,404	2,297	3,226	7,927
Unemployed Percentage	2.4%	3.1%	2.5%	2.6%
INCOME				
Median Household Income	\$ 72,374	\$ 62,536	\$ 62,182	n/a
Mean Household Income	\$ 92,690	\$ 78,640	\$ 75,830	\$ 81,904
Per Capita Income	\$ 33,961	\$ 32,210	\$ 30,074	\$ 31,882
POVERTY LEVEL				
Percentage whose Income in the past 12-months is below Poverty Level.				
All Families	6.7%	10.9%	9.0%	8.6%
All People	7.6%	12.8%	12.6%	11.0%
Under 18 Years	12.5%	19.2%	20.5%	17.3%
65 Years and Older	7.5%	7.7%	6.4%	7.1%

Source: factfinder2.census.gov/

Sanitation District No. 1
Northern Kentucky Top Ten Employers
2017 & 2008

Top Ten Employers in Northern Kentucky - 2017 (Ranked by Local Employees)		
Company	Employees	Percentage of Employed Work Force
Cincinnati/NKY International Airport	12,682	6.1%
St. Elizabeth Healthcare	8,246	4.0%
Fidelity Investments	4,300	2.1%
Internal Revenue Service	3,961	1.9%
Kroger Company	3,607	1.7%
Boone County Schools	3,301	1.6%
Amazon.com LLC	3,000	1.5%
Citi	2,490	1.2%
Northern Kentucky University	2,029	1.0%
Kenton County Schools	1,700	0.8%
Totals:	45,316	21.9%
Source: Cincinnati Business Courier July 2017		

Top Ten Employers in Northern Kentucky - 2008 (Ranked by Local Employees)		
Company	Employees	Percentage of Employed Work Force
Internal Revenue Service	6,000	3.1%
Fidelity Investments	4,600	2.4%
Delta Connection Comair	4,274	2.2%
St. Elizabeth Medical Center	4,180	2.1%
Citigroup	2,740	1.4%
Delta Airlines	2,600	1.3%
Boone Co. Board of Education	2,232	1.1%
Toyota Motor Engineering & Mfg.	2,102	1.1%
St. Luke Hospitals	1,989	1.0%
Northern Kentucky University	1,854	1.0%
Totals:	32,571	16.7%
Source: Harris Directory, 2008; Business Courier, 2008 Book of Lists		

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

	Design Capacity MGD	Fiscal Year									
		Average Daily Wastewater Flow (MGD)									
		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Treatment Plant Flow (1)											
Dry Creek	46.5	34.1	31.4	35.9	35.7	35.9	27.3	26.4	20.7	27.4	27.0
Eastern Regional WRF*	4.0	1.4	0.9	1.0	0.9	0.8	0.8	0.94	1.05	1.03	1.00
Western Regional WRF**	20.0					3.4	7.6	8.43	7.77	8.12	8.00
	<u>70.5</u>	<u>35.5</u>	<u>32.3</u>	<u>36.9</u>	<u>36.6</u>	<u>40.1</u>	<u>35.7</u>	<u>35.8</u>	<u>29.5</u>	<u>36.6</u>	<u>36.0</u>
Staffing Levels (2)											
Administration		43	46	48	51	61	62	58	59	58.5	54
Engineering		46	49	42	38	27	27	21	21	21	21
Operations								6	6	5	5
Storm Water		0	0	0	0	18	14	15.5	15.5	16.5	16.5
Collection System		79	78	84	88	83	89	88	88	84	78
Field Tech (Pump Stations)		13	13	18	14	14	13	15	15	15	15
Eastern Regional and Small Plants		6	6	11	13	10	9	10.5	10.5	10.5	9.5
Western Regional Plant					0	13	13	12	13	13	13
Dry Creek and Lab		55	57	51	54	46	49	47.5	46.5	45.5	45.5
Total Employees		<u>242</u>	<u>249</u>	<u>254</u>	<u>258</u>	<u>272</u>	<u>276</u>	<u>273.5</u>	<u>274.5</u>	<u>269.0</u>	<u>257.5</u>

(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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Miles of Sanitary Sewers (Includes sanitary, force mains and combined)	1,500	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,620	1,620
Regional Wastewater Treatment Plants	2	2	2	2	2	3	3	3	3	3
Small Wastewater Treatment Plants										
Owned and operated	4	4	4	4	4	4	4	4	4	4
Operated but not owned	3	3	3	4	4	4	4	4	2	3
Pump Stations										
Owned and operated	131	129	133	131	131	133	121	121	121	120
Operated but not owned	2	2	13	13	13	13	14	14	3	3
Flood Stations	15	15	15	15	15	15	15	15	15	15
Flood Gate Structures	91	91	89	89	89	89	88	88	89	89
Storm Structures			18,896	28,883	29,165	31,669	32,062	32,541	32,820	33,097
Miles of Separate Storm Sewers			255	407	417	440	442	447	447	451

Source: SD1 GIS records