

NEW ISSUE
Book-Entry-Only

S&P: "AA"
Moody's: "Aa2"
(See "RATINGS" herein)

In the opinion of Bond Counsel for the Series 2021 Bonds, based upon an analysis of laws, regulations, rulings and court decisions, and assuming continuing compliance with certain covenants made by the District, and subject to the conditions and limitations set forth herein under the caption "TAX TREATMENT," interest on the Series 2021 Bonds (defined below) is excludible from gross income for Federal income tax purposes and is not a specific item of tax preference for purposes of the Federal alternative minimum tax. Interest on the Series 2021 Bonds is exempt from Kentucky income tax and the Series 2021 Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions. See "TAX TREATMENT" herein.



\$70,000,000*
SANITATION DISTRICT NO. 1
SANITATION DISTRICT REVENUE BONDS, SERIES 2021A
(CAMPBELL, KENTON AND BOONE COUNTIES, KENTUCKY)

and
\$12,145,000*
SANITATION DISTRICT NO. 1
SANITATION DISTRICT REVENUE REFUNDING BONDS, SERIES 2021B
(CAMPBELL, KENTON AND BOONE COUNTIES, KENTUCKY)

Dated: Date of Delivery

Due: August 1, as shown on the inside cover page

The Bonds captioned above (collectively, the "Series 2021 Bonds") are issued pursuant to a Trust Indenture dated as of April 1, 1998 by and between Sanitation District No. 1 (the "District") and Truist Bank, successor to The Huntington National Bank, as Trustee (the "Trustee"), as amended by a Supplemental Indenture No. 1 dated as of February 1, 2001, by a Supplemental Trust Indenture No. 2 dated as of July 1, 2005 and by a Supplemental Trust Indenture No. 3 dated as of October 1, 2006 (the Trust Indenture, as amended, the "Indenture") and a Series 2021 Resolution (the "Series 2021 Resolution"). The holders of the Series 2021 Bonds shall, on a parity basis with the holders of all bonds outstanding under the Indenture (the "Bonds"), have a priority lien on and security interest in the Pledged Receipts of the District and other special funds derived from the operations of the works and facilities of the District (the "System"). The District reserves the right to issue additional Bonds on a parity with the outstanding Bonds subject to satisfaction of the conditions of the Indenture. See "SECURITY FOR THE SERIES 2021 BONDS" herein.

The Series 2021 Bonds will be fully registered bonds in denominations of \$5,000 or any integral multiple thereof without coupons, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Series 2021 Bonds. Individual purchases will be made in book-entry-only form in the principal amount of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interests in the Series 2021 Bonds purchased. Principal and interest are payable by the Trustee, to DTC, which will in turn remit such principal and interest to the Beneficial Owners of the Series 2021 Bonds through DTC's Participants, as described herein under the caption "Book-Entry-Only Provisions."

Interest on the Series 2021 Bonds is payable from their dated date on each February 1 and August 1, beginning February 1, 2022. The Series 2021 Bonds will mature on February 1 and August 1 of the years, in the amounts, bear interest at the annual rates, have the yields and CUSIP numbers, as sets forth on the inside cover page. The Series 2021 Bonds will mature on August 1 of the years, in the amounts, bear interest at the annual rates, have the yields and CUSIP numbers, as sets forth on the inside cover page.

The Series 2021 Bonds will be secured solely by the Pledged Receipts, certain funds and accounts created by the Indenture and the other special funds derived from the operations of the System. The Series 2021 Bonds will not constitute general obligations of or be an indebtedness of the District or of Campbell County, Kenton County or Boone County, Kentucky, or of the Commonwealth of Kentucky within the meaning of the Constitution of Kentucky and neither the faith and credit nor the taxing power of the District or of Campbell County, Kenton County or Boone County, Kentucky or the Commonwealth of Kentucky will be pledged to the payment of the Series 2021 Bonds. See "SECURITY FOR THE SERIES 2021 BONDS" herein.

The Series 2021 Bonds are offered when, as, and if issued subject to the approving legal opinion of Dinsmore & Shohl LLP, Covington, Kentucky, Bond Counsel. Certain matters will be passed upon for the District by its General Counsel, Brian Ellerman, Esq. It is expected that delivery of the Series 2021 Bonds, in definitive form, will be made to DTC in New York, New York on or about December 1, 2021.

The District deems this preliminary Official Statement to be final for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1), except for certain information which has been omitted in accordance with such Rule and which will be supplied with the final Official Statement.



* Indicates preliminary, subject to change, throughout.

This Preliminary Official Statement and information contained herein are subject to change, completion or amendment without notice. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

\$70,000,000*
SANITATION DISTRICT NO. 1
SANITATION DISTRICT REVENUE BONDS, SERIES 2021A
(CAMPBELL, KENTON AND BOONE COUNTIES, KENTUCKY)

Maturity Schedule

<u>Year</u> <u>(August 1)</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP¹</u> <u>134041</u>	<u>Year</u> <u>(August 1)</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP¹</u> <u>134041</u>
2022	\$425,000				2037	\$2,610,000			
2023	450,000				2038	2,690,000			
2024	470,000				2039	2,770,000			
2025	490,000				2040	2,835,000			
2026	515,000				2041	2,895,000			
2027	380,000				2042	2,965,000			
2028	2,000,000				2043	3,030,000			
2029	2,085,000				2044	3,100,000			
2030	2,145,000				2045	3,175,000			
2031	2,210,000				2046	3,250,000			
2032	2,275,000				2047	3,330,000			
2033	2,345,000				2048	3,415,000			
2034	2,390,000				2049	3,500,000			
2035	2,460,000				2050	3,585,000			
2036	2,535,000				2051	3,675,000			

\$12,145,000*
SANITATION DISTRICT NO. 1
SANITATION DISTRICT REVENUE REFUNDING BONDS, SERIES 2021B
(CAMPBELL, KENTON AND BOONE COUNTIES, KENTUCKY)

Maturity Schedule

<u>Year</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP¹</u> <u>134041</u>
February 1, 2022	\$1,655,000			
August 1, 2022	1,720,000			
August 1, 2023	1,785,000			
August 1, 2024	1,855,000			
August 1, 2025	1,925,000			
August 1, 2026	2,140,000			
August 1, 2027	1,065,000			

¹ The above-referenced CUSIP numbers have been assigned by an independent company not affiliated with the District, the Underwriter, the Financial Advisor, or the Trustee, and are included solely for the convenience of the holders of the Series 2021 Bonds. None of the District, the Underwriter, or the Trustee is responsible for the selection or uses of such CUSIP numbers, and no representation is made as to their correctness on the Series 2021 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2021 Bonds as a result of various subsequent actions including, without limitation, a refunding in whole or in part of such maturity, as a result of the procurement of secondary market portfolio insurance, or other similar enhancement by investors that is applicable to all or a portion of certain matters.

**SANITATION DISTRICT NO. 1
(CAMPBELL, KENTON AND BOONE COUNTIES, KENTUCKY)**

Board of Directors

Bob Boswell	President
Rick Wessels	Vice President
Katie Nolan	Treasurer
Robert Horine	Secretary

Joe Bessler
Russ Horsley
Jack Scott
Bob Schroder

* * * *

Management

Adam Chaney	Executive Director
Thomas A. Wiechman, SPHR	Senior Director Administration
Ron Schmitt, Jr.	Director of Finance
Debbie Vinson	Accounting Manager
Brian M. Ellerman, Esq.	Legal Counsel

Consultants

RSA Advisors, LLC
Lexington, Kentucky
Financial Advisor

* * * *

Dinsmore & Shohl LLP
Covington, Kentucky
Bond Counsel

REGARDING USE OF THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offer to sell any security other than the original offering of the Series 2021 Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, salesman or any other person has been authorized to give any information or make any representation, other than those contained herein, in connection with the offering of the Series 2021 Bonds, and if given or made, such information or representation must not be relied upon. Neither the delivery of this Official Statement nor the sale of any Series 2021 Bonds implies that there has been no change in the matters described herein since the date hereof.

All quotations from and summaries and explanations of provisions of laws and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions.

The information in this Official Statement has been obtained from sources which are considered reliable and which are customarily relied upon in preparation of similar official statements, but such information is not guaranteed as to accuracy or completeness.

Insofar as the statements contained in this Official Statement involve matters of opinion or estimates, even if not expressly stated as such, such statements are made as such and not as representations of fact or certainty, no representation is made that any of such statements have been or will be realized, and such statements should be regarded as suggesting independent investigation or consultation of other sources prior to the making of investment decisions. Certain information may not be current; however, attempts were made to date and document sources of information. Neither this Official Statement nor any oral or written representations by or on behalf of the District preliminary to sale of the Series 2021 Bonds should be regarded as part of the District's contract with the successful bidder or the holders from time to time of the Series 2021 Bonds.

References herein to provisions of Kentucky law, whether codified in the Kentucky Revised Statutes ("KRS") or uncodified, or to the provisions of the Kentucky Constitution or the District's resolutions, are references to such provisions as they presently exist. Any of these provisions may from time to time be amended, repealed or supplemented.

The Series 2021 Bonds will not be registered under the Securities Act of 1933, as amended, and will not be listed on any stock or other securities exchange, and neither the Securities and Exchange Commission nor any federal, state, municipal or other governmental agency will pass upon the accuracy, completeness or adequacy of this Official Statement.

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SUMMARY

The following information is furnished solely to provide limited introductory information regarding Sanitation District No. 1 (the “District”) and the Series 2021 Bonds (defined below) and does not purport to be comprehensive. Such information is qualified in its entirety by reference to the more detailed information and descriptions appearing elsewhere in this Official Statement and should be read together therewith. The terms used in this Summary and not otherwise defined shall have the respective meanings assigned to them elsewhere in this Official Statement. The offering of the Series 2021 Bonds is made only by means of the entire Official Statement, including the Appendices hereto. No person is authorized to make offers to sell, or solicit offers to buy, the Series 2021 Bonds unless the entire Official Statement is delivered in connection therewith.

- The District** The District is a sanitation district created under the laws of the Commonwealth of Kentucky, pursuant to KRS 220.010 et. seq. (the “Act”). The District is located in the region of Kentucky that is bordered by Cincinnati, Ohio to the north and is comprised of most of the area within Boone, Campbell and Kenton Counties, Kentucky. The District is part of the greater Cincinnati Consolidated Metropolitan Statistical Area (“CMSA”). See “THE DISTRICT” and “APPENDIX A” herein.
- The Offering** The District is offering its Sanitation District Revenue Bonds, Series 2021A (Campbell, Kenton and Boone Counties, Kentucky) (the “Series 2021A Bonds”) in a total amount of \$70,000,000* and its Sanitation District Revenue Refunding Bonds, Series 2021B (Campbell, Kenton and Boone Counties, Kentucky) in a total amount of \$12,145,000* (the “Series 2021B Bonds” and, together with the Series 2021A Bonds, the “Series 2021 Bonds”) See “DESCRIPTION OF THE SERIES 2021 BONDS.”
- Authority** The Series 2021 Bonds are being issued pursuant to the Act, a Resolution adopted by the District on April 20, 2021 (the “Resolution”), and the Trust Indenture dated as of April 1, 1998, between the District and Trust Bank, Wilson, North Carolina, successor to The Huntington National Bank, as trustee and paying agent (the “Trustee” and “Paying Agent”), as amended by Supplemental Trust Indenture No. 1 dated as of February 1, 2001, by Supplemental Trust Indenture No. 2 dated as of July 1, 2005, and by Supplemental Trust Indenture No. 3 dated as of October 1, 2006 (the Trust Indenture as amended, the “Indenture”).
- Use of Proceeds** The proceeds from the sale of the Series 2021A Bonds, together with other available funds, will be used to (i) finance the acquisition, construction, installation and equipping of improvements to the System; (ii) pay the necessary costs and expenses incident to the issuance and delivery of the Series 2021A Bond; and (iii) deposit in the Debt Service Reserve Fund an amount such that the amount therein, will equal the Aggregate Debt Service Reserve Requirement. The proceeds from the sale of the Series 2021B Bonds, together with other available funds, will be used to provide funds to (i) currently refund the District’s outstanding KIA Loan A04-09; (ii) pay the necessary costs and expenses incident to the issuance and delivery of the Series 2021B Bonds and (iii) deposit in the Debt Service Reserve Fund an amount such that the amount therein will equal the Aggregate Debt Service Reserve Requirement.
- Features** The Series 2021 Bonds are being offered in the authorized denominations of \$5,000 or any integral multiple thereof, at the interest rates, yields or purchase prices set forth on the inside cover page hereof. The Series 2021 Bonds are issuable only as fully registered Series 2021 Bonds, without coupons. The Series 2021 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as

securities depository for the Series 2021 Bonds. Purchasers will not receive certificates representing their ownership interest in the Series 2021 Bonds purchased. So long as DTC or its nominee is the registered owner of the Series 2021 Bonds, payments of the principal of, premium, if any, and interest due on the Series 2021 Bonds will be made directly to DTC.

The Series 2021 Bonds will bear interest payable on each August 1 and February 1 in the years set forth on the cover hereof, commencing on February 1, 2022.

It is expected that delivery of the Series 2021 Bonds will be made on or about December 1, 2021, in New York, New York, against payment therefor.

Redemption

The Series 2021A Bonds maturing on or prior to August 1, 2029 shall not be subject to optional redemption by the District. The Series 2021A Bonds maturing on and after August 1, 2030, are subject to optional redemption prior to maturity, at the option of the District, in whole or in part (and by lot within a maturity) on any date, on or after August 1, 2029, at par plus accrued interest to the date fixed for redemption.

The Series 2021B Bonds shall not be subject to optional redemption by the District.

See “DESCRIPTION OF THE SERIES 2021 BONDS – Optional Redemption.”

Security

The District has previously issued its Sanitation District Revenue Bonds, as described herein, which, together with the Series 2021 Bonds are hereinafter referred to as the “Bonds.” The holders of the Series 2021 Bonds shall, on a parity basis with the holders of outstanding Bonds, have a priority lien on and security interest in the Pledged Receipts of the District, certain funds and accounts created by the Indenture and other special funds derived from the operations of the works and facilities of the District. See “SECURITY FOR THE SERIES 2021 BONDS” herein.

The District reserves the right to issue additional Bonds ranking on a basis of parity with the Bonds, pursuant to the terms of the Indenture and satisfaction of certain conditions set forth therein. See “SECURITY FOR THE SERIES 2021 BONDS – Additional Parity Bonds” herein.

The Series 2021 Bonds, when, as and if issued, will not constitute general obligations of or be an indebtedness of the District or of Campbell County, Kenton County or Boone County, Kentucky, or of the Commonwealth of Kentucky within the meaning of the Constitution of Kentucky and neither the faith and credit nor the taxing power of the District or of Campbell County, Kenton County or Boone County, Kentucky or the Commonwealth of Kentucky will be pledged to the payment of the Series 2021 Bonds.

Tax Status

In the opinion of Bond Counsel for the Series 2021 Bonds, based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the Series 2021 Bonds is excludible from gross income for Federal income tax purposes and is not a specific item of tax preference under Section 57 of the Internal Revenue Code of 1986 (the “Code”) for purposes of the Federal alternative minimum tax. Furthermore, Bond Counsel for the Series 2021 Bonds is of the opinion that interest on the Series 2021 Bonds is exempt from income taxation by the Commonwealth and the Series 2021 Bonds are exempt from ad valorem taxation by the Commonwealth and any of its political subdivisions. See “TAX

TREATMENT” herein and APPENDIX E for a copy of Bond Counsel’s opinion.

**Continuing
Disclosure**

Rule 15c2-12 under the Securities and Exchange Act of 1934, as amended, generally prohibits an underwriter from purchasing or selling municipal securities in an initial offering unless it has determined that the issuer of such securities has committed to provide certain information, including audited financial information, and notice of various events, if material. To enable the purchaser to comply with the provisions of Rule 15c2-12. The District will enter into a Continuing Disclosure Agreement with the Trustee. See “CONTINUING DISCLOSURE UNDERTAKING.”

General

This Official Statement speaks only as of its date, and the information contained herein is subject to change. All summaries of documents and agreements in the Official Statement are qualified in their entirety by reference to such documents and agreements, copies of which are available from the District.

Information

Information regarding the Series 2021 Bonds is available by contacting the District, 1045 Eaton Drive, Fort Wright, Kentucky 41017 (859) 578-7465, or, during the initial offering period, RSA Advisors, LLC, 325 West Main Street, Suite 300, Lexington, Kentucky 40507 (800) 255-0795.

OFFICIAL STATEMENT
\$82,145,000* SANITATION DISTRICT NO. 1
SANITATION DISTRICT REVENUE REFUNDING BONDS, SERIES 2021
(CAMPBELL, KENTON AND BOONE COUNTIES, KENTUCKY)

INTRODUCTORY STATEMENT

This Official Statement including cover page and appendices, is furnished in connection with the offering of \$70,000,000* principal amount of Sanitation District Revenue Bonds, Series 2021A (the “Series 2021A Bonds”) and \$12,145,000* principal amount of Sanitation District Revenue Refunding Bonds, Series 2021B (the “Series 2021B Bonds” and, together with the Series 2021A Bonds, the “Series 2021 Bonds”) of Sanitation District No. 1, situated in and providing wastewater collection, transmission and treatment services to Campbell, Kenton and Boone Counties, Kentucky (the “District”). The Series 2021 Bonds are being issued pursuant to a Trust Indenture dated as of April 1, 1998, by and between the District and Truist Bank, Wilson, North Carolina, successor to The Huntington National Bank, as Trustee, as amended by Supplemental Trust Indenture No. 1 dated as of February 1, 2001 (“Supplemental Indenture No. 1”), by Supplemental Trust Indenture No. 2 dated as of July 1, 2005 (“Supplemental Indenture No. 2”), and by Supplemental Trust Indenture No. 3 dated as of October 1, 2006 (“Supplemental Trust Indenture No. 3”) (the Trust Indenture, as amended, the “Indenture”), and a resolution of the Board of the District authorizing the issuance and sale of the Series 2021 Bonds adopted on April 20, 2021 (the “Series 2021 Resolution”).

The District has previously issued its Sanitation District Revenue Bonds, which are described in APPENDIX C hereto (together with the Series 2021 Bonds, the “Bonds”). The holders of the Series 2021 Bonds shall, on a parity basis with the holders of all outstanding Bonds, have a priority lien on and security interest in the Pledged Receipts of the District, certain funds and accounts created by the Indenture and other special funds derived from the operations of the works and facilities of the District. See “SECURITY FOR THE SERIES 2021 BONDS” herein.

The Series 2021 Bonds do not constitute a debt, liability or general obligation of the District or of Campbell, Kenton or Boone Counties, Kentucky, or of the Commonwealth of Kentucky or a pledge of the faith and credit or the taxing power thereof, but are payable solely and only from Pledged Receipts, as defined in the Indenture.

There follows a brief description and history of the District, the District’s existing wastewater collection, transmission, treatment and disposal system (the “System”), the Series 2021 Bonds, the proposed major wastewater improvement program of the District and other data, together with the Appendices, containing financial and other information with respect to the District. This Official Statement includes descriptions of, among other matters, the Series 2021 Bonds and the Indenture, which descriptions are qualified by reference to the entire text of the related instruments, including the Indenture and the form of the Series 2021 Bonds. Copies of the Indenture and the Series 2021 Resolution may be obtained from the District and, during the initial offering period, RSA Advisors, LLC, Lexington, Kentucky. Copies will also be available for inspection at the principal corporate trust office of the Trustee after delivery of the Series 2021 Bonds.

References herein to provisions of Kentucky and federal law, whether codified in the Kentucky Revised Statutes, or the Kentucky Constitution, or the Internal Revenue Code of 1986, as amended, are references to such provisions as they presently exist. Any of those provisions may from time to time be amended, repealed, or supplemented.

PURPOSE OF FINANCING

The proceeds from the sale of the Series 2021A Bonds, together with other available funds, will be used to provide funds to (i) finance the acquisition, construction, installation and equipping of improvements to the System; (ii) pay the necessary costs and expenses incident to the issuance and delivery of the Series 2021A Bonds; and (iii) deposit in the Debt Service Reserve Fund an amount such that the amount therein, will equal the Aggregate Debt Service Reserve Requirement.

The proceeds from the sale of the Series 2021B Bonds, together with other available funds, will be used to provide funds to (i) currently refund the District's outstanding KIA Loan A04-09; (ii) pay the necessary costs and expenses incident to the issuance and delivery of the Series 2021B Bonds; and (iii) deposit in the Debt Service Reserve Fund an amount such that the amount therein, will equal the Aggregate Debt Service Reserve Requirement.

DESCRIPTION OF THE SERIES 2021 BONDS

General Description

The Series 2021 Bonds will be dated and shall bear interest at the rates set forth on the inside cover page of this Official Statement. The Series 2021 Bonds are being issued as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof. The Series 2021 Bonds will initially be issued in book-entry-only form. See "BOOK-ENTRY-ONLY PROVISIONS."

Interest on the Series 2021 Bonds will be payable semi-annually on August 1 and February 1, commencing February 1, 2022. Interest on all Series 2021 Bonds is payable by check or draft mailed to the registered Bondholder by the Trustee. At the written request of a Holder of \$1,000,000 or more in principal amount of the Series 2021 Bonds, which written request must be received by the Trustee no later than the Regular Record Date, interest payments will be made by wire transfer by the Trustee to a bank or trust company designated by such Holder. Principal is payable when due to the registered Holder upon surrender of the Series 2021 Bonds at the principal corporate trust office of the Trustee.

If the Book-Entry-Only system is discontinued for a Series of the Series 2021 Bonds, the applicable series of Series 2021 Bonds may be transferred by presentation and surrender of such Series 2021 Bonds at the office of the Trustee, together with an assignment duly executed by the Bondholder or by his duly authorized attorney-in-fact in a form satisfactory to the Trustee. Upon any such transfer, the Trustee shall deliver new registered Series 2021 Bonds, registered in the name of the transferee, in the denomination of \$5,000 or any integral multiple thereof.

As a precondition to the exchange or transfer of any Series 2021 Bond, the Trustee may charge the Bondholder for any tax or excise required to be paid with respect to the exchange or transfer. The Trustee shall not be required to make any transfer during the 15 days immediately preceding the mailing of a notice of redemption and ending at the close of business on the day of such mailing or to transfer any Series 2021 Bond selected for redemption in whole or in part or during the period following a Record Date through the day preceding the ensuing Interest Payment Date.

Optional Redemption

The Series 2021A Bonds maturing on or prior to August 1, 2029 shall not be subject to optional redemption by the District. The Series 2021A Bonds maturing on and after August 1, 2030, are subject to optional redemption prior to maturity, at the option of the District, in whole or in part (and by lot within a maturity) on any date, on or after August 1, 2029, at par plus accrued interest to the date fixed for redemption.

The Series 2021B Bonds shall not be subject to optional redemption by the District.

See “DESCRIPTION OF THE SERIES 2021 BONDS – Optional Redemption.”

Mandatory Sinking Fund Redemption

The Series 2021A Bonds maturing on August 1, 20__ are subject to mandatory sinking fund redemption on the dates and at the redemption price of par plus accrued interest to the Redemption Date as set forth below:

<u>Maturing August 1, 20__</u>	
<u>Redemption Date</u>	<u>Principal Amount</u>
August 1, 20__	
August 1, 20__*	

* Maturity

The Series 2021B Bonds maturing on August 1, 20__ are subject to mandatory sinking fund redemption on the dates and at the redemption price of par plus accrued interest to the Redemption Date as set forth below:

<u>Maturing August 1, 20__</u>	
<u>Redemption Date</u>	<u>Principal Amount</u>
August 1, 20__	
August 1, 20__*	

* Maturity

Redemption Provisions

The Indenture provides that, whenever Bonds are to be redeemed, the Trustee shall give written notice in the name of the District, not less than 30 days prior to the redemption date, to each registered Bondholder for the redemption of such Bonds, which notice shall specify the Series and maturities of the Bonds to be redeemed, the Redemption Date and place or places where amounts due upon such redemption will be payable and, if less than all Bonds of any Series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds to be redeemed and, in case of any registered Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. After such notice has been given, the Bonds or portions thereof so called for redemption shall become due and payable on the Redemption Date so designated at the Redemption Price, plus interest accrued and unpaid to the Redemption Date, if, on the Redemption Date, moneys for the redemption of all the Bonds or portions thereof of any Series and maturity to be redeemed, together with interest to the Redemption Date, shall be held by any paying agent so to be available therefor on such date and if notice shall have been published as aforesaid, then, from and after the Redemption Date, interest on such Bonds or portions thereof shall cease to accrue and coupons for interest maturing subsequent to the Redemption Date shall be void. If less than all outstanding Bonds of a Series and maturity are to be redeemed, the Trustee shall select by lot each \$5,000 of the principal amount of Bonds to be redeemed.

SECURITY FOR THE SERIES 2021 BONDS

General

The Bonds, together with any additional parity bonds which may be issued from time to time pursuant to the Indenture, are secured by and payable solely from the (i) proceeds of such Bonds, (ii) Investment Obligations (as defined in the Indenture) acquired by proceeds of such Bonds, (iii) the Pledged Receipts derived from the collection of rates, rentals and charges for the services rendered by the System, (iv) the Debt Service Fund, and (v) the Debt Service Reserve.

“Pledged Receipts” as defined in the Indenture (i) means the totality of all sanitary sewer, drainage or stormwater rates, rentals and charges of any and all types and varieties imposed, enforced and collected by the District for the services rendered by the sanitary and drainage works and facilities of the District; (ii) shall not mean any State appropriations or Federal Grants specified for use by the District for capital construction purposes in connection with the District’s sewer and drainage system; (iii) shall also include all interest earned and gains realized on Investment Obligations in the Funds and Accounts established by the Indenture, unless the Indenture specifically requires such interest earned or gains realized to remain in a particular Fund or Account or be applied to purposes other than payment of debt service; and (iv) shall also include any and all income or operating subsidies, if any, received by the District from any agency of government, Federal or State, to the extent not otherwise required to be treated and applied.

Funds and Accounts

All moneys received by the District as Pledged Receipts will be deposited in a General Operating Fund held by the District. In addition, the Improvement, Repair and Replacement Fund and Self-Insurance Fund will be maintained by the District as an Improvement, Repair and Replacement Reserve and Self-Insurance Reserve.

On or prior to the first day of each month, the District will cause amounts to be transferred from the General Operating Fund and deposited to the following Accounts and Funds in the indicated amounts and order of priority:

(1) To the Interest Account within the Debt Service Fund an amount equal to (i) the interest on each Series of Outstanding Bonds accrued and unpaid in respect of the next Interest Payment Date for each Series of Bonds Outstanding, or to reimburse a provider of a Credit Facility for its direct payment of such interest under an agreement with such provider, (ii) divided by the number of months preceding the next Interest Payment Date for the related Series of Bonds.

(2) To the Principal Account within the Debt Service Fund an amount equal to (i) the Principal Installments accrued and unpaid in respect of the next Principal Installment Date for each Series of Bonds Outstanding, or to reimburse a provider of a Credit Facility for its direct payment of such principal under an agreement with such provider, (ii) divided by the number of months preceding the next Principal Installment Date for the related Series of Bonds.

(3) To the Debt Service Reserve Fund such amount as with sums then on deposit therein will equal the Aggregate Debt Service Reserve Requirement, or to pay amounts due with respect to a Debt Service Reserve Credit Enhancement.

(4) To the Self-Insurance Reserve such amount as with sums then on deposit therein will equal the Self-Insurance Reserve Requirement, but only if such amount is not required to pay current Operation and Maintenance Costs or to maintain a balance (reserve) in the General Operating Fund that is no less than the amount required to pay for three (3) months (i) reasonable

and necessary Operation and Maintenance Costs in accordance with the Annual Budget and (ii) the amounts required to be transferred from the General Operating Fund in accordance with (1) and (2) above.

(5) To the Improvement, Repair and Replacement Reserve, such amount, as determined from time to time by the Board, to be held therein as a reserve for the purposes for which such Fund was created, but only if such amount is not required to pay current Operation and Maintenance Costs or to maintain the balance (reserve) as may be deemed necessary by the Board.

Amounts remaining in the General Operating Fund shall be used (i) to pay the reasonable expenses of operating, maintaining and repairing the System; (ii) for paying Operation and Maintenance Costs; (iii) to make unforeseen major repairs and replacements of the System; and (iv) to pay the costs of constructing additions, extensions, betterments and improvements to the System which will either increase income and revenues or provide a higher degree of service.

Mandatory Connection and Termination of Water Service

KRS 220.280(3) and KRS 220.510 authorize the District to (i) mandatorily require every property to which sewer facilities are made available to connect to and use such sewer facilities for disposal of sewage wastes and (ii) require the provider of water service (whether public or private) to property receiving sewer service that is delinquent as to payment of sewer service rates, to terminate water service to such property until the delinquent sewer service charges (plus a reasonable water disconnection and reconnection fee) are paid in full.

Rate Covenant

The District covenants in the Indenture at all times to establish, enforce, and collect rates, rentals and charges for the services and facilities afforded by the System, the same to be adequate to operate and maintain the facilities of the District, to provide necessary allowances for depreciation and for extensions and additions thereto, to maintain reserves required by the Indenture, and to retire all outstanding Bonds and the interest thereon. Such rates must be adequate to accumulate and maintain all reserves as provided in the Indenture, and after fulfillment of all contractual obligations required of the District, including accumulation and maintenance of all reserves, and after payment of operating and maintenance costs of the System, to provide 1.25 times coverage of annual principal, interest and sinking fund requirements on all Bonds. Rates, rentals and charges must be adjusted from time to time to comply with the Indenture. The District also covenants that it will not at any time make any reduction in the prevailing schedule of rates, rentals and charges without first obtaining the written determination of a consulting engineer in the field of sanitary engineering that any such proposed reduction will not materially affect the ability of the District to meet all the requirements and covenants of the Indenture.

Additional Parity Bonds

The District reserves the right to issue additional Bonds ranking on a basis of parity with the outstanding Bonds (i) to reconstruct, repair and improve the facilities of the District, (ii) to make additions, extensions, betterments or improvements thereto, (iii) to acquire existing sewer and drainage systems, or (iv) to refund outstanding Bonds. No such additional parity Bonds shall be issued unless, among other things: the facilities to be acquired, repaired, reconstructed or improved with the proceeds of such proposed additional Bonds shall be made an integral part of the System and revenues therefrom are pledged as additional security for all outstanding Bonds and the proposed additional Bonds, and also provided the District is in compliance with all covenants in the Indenture, and the Net Revenues of the District (adjusted under certain circumstances as provided in the Indenture) for a period of 12 consecutive months of the 15 months immediately prior to the issuance of said parity bonds are certified by an

independent firm of Certified Public Accountants to have been equal to 1.25 times the maximum annual debt service requirement coming due in any future Bond Fiscal Year (ending June 30) on all outstanding Bonds, together with the parity Bonds then proposed to be issued. "Net Revenues", as defined in the Indenture, means (i) the totality of all sanitary sewer service and/or drainage, stormwater or other service rates, rentals and charges of any and all types and varieties imposed, enforced and collected by the District or legally required to be paid by any entity to the District for the services rendered by the sanitary, drainage, stormwater and other works and facilities of the District, together with any other income received by the District, if any, from any agency of government, both federal and state, as representing income or operating subsidies, as distinguished from capital grants, to the extent not otherwise required to be treated and applied, less (ii) the District's operation and maintenance costs.

Global Health Emergency Risk

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus. On March 6, 2020, Kentucky's Governor Andy Beshear declared a state of emergency, directing state agencies to use all resources necessary to prepare for and respond to the outbreak. On March 13, 2020, President Donald Trump declared a national emergency to unlock federal funds to help states and local governments fight the pandemic. The SD1 Board of Directors announced that after the week ending March 20, 2020 the District would suspend the use water shut offs as a means of collection.

In late March of 2020, the United States enacted the "Coronavirus Aid, Relief, and Economic Security Act" (the "CARES Act"), a \$2.2 trillion economic stimulus bill aimed at mitigating the economic and health effects of COVID-19. The CARES Act provided money and support to individuals in the form of increased unemployment and direct payments and provided money and support to many different businesses and governmental entities. The District has investigated and utilized some Federal programs, including the use of payroll tax credits through the Families First Coronavirus Response Act totaling approximately \$162,000 through August 13, 2020.

On May 8, 2020 Governor Beshear issued an executive order suspending all utility disconnections. In December of 2020, the first COVID-19 vaccine, developed by Pfizer-BioNTech, began distribution in the United States and a subsequent vaccine, developed by Moderna, began distribution in late December. A third vaccine, developed by Johnson & Johnson, began distribution in late February of 2021. As of August 1, 2021, nearly 58% of the total United States population had received at least one dose of a vaccine, and nearly 50% of the population is considered fully vaccinated. For the United States population over the age of 65, the percentages are approximately 90% and 80%, respectively.

On May 1, 2021, a second \$1.9 trillion economic stimulus bill was passed, which has provided additional direct payments to individuals and another round of funding for various different businesses including an additional \$350 billion in relief to state, local, and tribal governments.

There can be no assurances as to the continuing materiality, severity, or duration of the negative economic conditions caused by the COVID-19 Pandemic.

BOOK-ENTRY-ONLY SYSTEM

The Series 2021 Bonds initially will be issued solely in book-entry form to be held in the book-entry-only system maintained by The Depository Trust Company ("DTC"), New York, New York. So long as such book-entry system is used, only DTC will receive or have the right to receive physical delivery of Series 2021 Bonds and, except as otherwise provided herein with respect to tenders by Beneficial Owners of beneficial ownership interests, each actual purchaser of each Series 2021 Bond (a "Beneficial Owner") will not be or be considered to be, and will not have any rights as, owner or holder of the Series 2021 Bonds under the Indenture.

The following information about the book-entry-only system applicable to the Series 2021 Bonds has been supplied by DTC. Neither the District nor the Trustee makes any representations, warranties or guarantees with respect to its accuracy or completeness.

DTC will act as securities depository for the Series 2021 Bonds. The Series 2021 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2021 Bond certificate will be issued for each maturity of the Series 2021 Bonds and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2021 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2021 Bonds on DTC's records. The ownership interest of each Beneficial Owner is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial owners will not receive written confirmation from DTC of their purchase. Beneficial owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2021 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial owners will not receive certificates representing their ownership interests in Series 2021 Bonds, except in the event that use of the book-entry system for the Series 2021 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2021 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2021 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2021 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2021 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial owners of Series 2021 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2021 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2021 Bond documents. For example, Beneficial Owners of Series 2021 Bonds may wish to ascertain that the nominee holding the Series 2021 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2021 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2021 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2021 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the Series 2021 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Series 2021 Bonds held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC or its nominee, the Trustee or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2021 Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, if a successor depository is not obtained, Series 2021 Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2021 Bond certificates will be printed and delivered.

NEITHER THE DISTRICT NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A HOLDER WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PURCHASE PRICE OF TENDERED BONDS OR THE PRINCIPAL OR REDEMPTION

PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO BONDHOLDER; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

Each Beneficial Owner for whom a Direct Participant or Indirect Participant acquires an interest in the Series 2021 Bonds, as nominee, may desire to make arrangements with such Direct Participant or Indirect Participant to receive a credit balance in the records of such Direct Participant or Indirect Participant, to have all notices of redemption, elections to tender Series 2021 Bonds or other communications to or by DTC which may affect such Beneficial Owner forwarded in writing by such Direct Participant or Indirect Participant, and to have notification made of all debt service payments.

Beneficial owners may be charged a sum sufficient to cover any tax, fee, or other governmental charge that may be imposed in relation to any transfer or exchange of their interests in the Series 2021 Bonds.

The District cannot and does not give any assurances that DTC, Direct Participants, Indirect Participants or others will distribute payments of debt service on the Series 2021 Bonds made to DTC or its nominee as the registered owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement.

PLAN OF FINANCING

The proceeds from the sale of the Series 2021A Bonds, together with other available funds, will be used to provide funds to (i) finance the acquisition, construction, installation and equipping of improvements to the System; (ii) pay the necessary costs and expenses incident to the issuance and delivery of the Series 2021A Bonds; and (iii) deposit in the Debt Service Reserve Fund an amount such that the amount therein, will equal the Aggregate Debt Service Reserve Requirement.

The proceeds from the sale of the Series 2021B Bonds, together with other available funds, will be used to (i) refund the District’s outstanding KIA Loan A04-09 (the “Prior Obligation”); (ii) pay the necessary costs and expenses incident to the issuance and delivery of the Series 2021B Bonds; and (iii) deposit in the Debt Service Reserve Fund an amount such that the amount therein, will equal the Aggregate Debt Service Reserve Requirement. The refunding portion of the proceeds of the Series 2021B Bonds will be deposited in a redemption account of the Debt Service Fund (the “Redemption Account”) and, together with amounts transferred to the Redemption Account from the Debt Service Reserve Fund, will be used to redeem the Prior Obligation. Upon the making of the foregoing deposits in the Redemption Account, the Prior Obligation will no longer be deemed to be outstanding for purposes of the Indenture or the agreements or other instruments governing the Prior Obligation.

The refunding plan is being undertaken to provide interest costs savings to the District.

SOURCES AND USES OF SERIES 2021 BOND PROCEEDS

The following table sets forth the estimated sources and uses of funds relating to the Series 2021A Bonds:

<u>Sources:</u>	
Principal Amount of Series 2021A Bonds	\$_____
[Plus][Less] Original Issue [Premium][Discount]	
Total Sources	\$_____

<u>Uses:</u>	
Deposit to Series Construction and Acquisition Account	\$ _____
Underwriter's Discount	_____
Deposit to Debt Service Reserve Fund	_____
Deposit to Costs of Issuance Fund	_____
Total Uses	\$ _____

The following table sets forth the estimated sources and uses of funds relating to the Series 2021B Bonds:

<u>Sources:</u>	
Principal Amount of Series 2021B Bonds	\$ _____
[Plus][Less] Original Issue [Premium][Discount]	
Total Sources	\$ _____

<u>Uses:</u>	
Deposit to Series Redemption Account	\$ _____
Underwriter's Discount	_____
Deposit to Debt Service Reserve Fund	_____
Deposit to Costs of Issuance Fund	_____
Total Uses	\$ _____

THE DISTRICT

The District is a sanitation district created under the laws of the Commonwealth of Kentucky, pursuant to KRS 220.010 *et. seq.* (the "Act"). The District is located in the region of Kentucky that is bordered by Cincinnati, Ohio to the north and is comprised of most of the area within Boone, Campbell and Kenton Counties, Kentucky. The District is part of the greater Cincinnati Consolidated Metropolitan Statistical Area ("CMSA"). For a detailed description of the District, see APPENDIX A hereto. For demographic information regarding the District see APPENDIX B hereto. Outstanding Bonds of the District are described in APPENDIX C hereto. Financial statements of the District are included in APPENDIX D hereto.

THE INDENTURE

The District entered into the Indenture as of April 1, 1998, which has been amended by Supplemental Trust Indenture No. 1 dated as of February 1, 2001, by Supplemental Trust Indenture No. 2 dated as of July 1, 2005, and by Supplemental Trust Indenture No. 3 dated as of October 1, 2006. The Indenture authorizes and provides for the issuance of Sanitation District Revenue Bonds in Series from time to time pursuant to resolutions adopted by the Board of Directors of the District, provides trust duties, makes covenants with Bondholders and provides generally for the collection, enforcement and application of revenues of the District. Bonds may be issued under the Indenture to acquire, construct and improve the System.

The Indenture contains various covenants and security provisions, certain of which are summarized below. Reference should be made to the Indenture for a full and complete statement of its provisions. All defined terms herein shall have the meaning assigned by the Indenture.

General Application of Bond Proceeds - Cost of Issuance Account; Construction and Acquisition Account

Under the Indenture, the Trustee is required to establish within the Bond Proceeds Fund established by the Indenture a Cost of Issuance Account and a Construction and Acquisition Account for each Series of Bonds issued. From the proceeds of the sale of a Series of Bonds, there will be deposited in the Cost of Issuance Account the costs of issuing the Series. Moneys received by the District from any other source, unless otherwise provided by the Indenture, may also be deposited in the Cost of Issuance Account. So much of the remainder of the Bond proceeds as is required by the applicable Series Resolution (except for accrued and capitalized interest, if any, which shall be deposited in the Interest Account, and any premium over the principal amount of the Series, which is applied as provided in such Series Resolution) are deposited in the Construction and Acquisition Account. The Cost of Issuance and the Construction and Acquisition Account constitute all the Accounts within the Bond Proceeds Fund.

Moneys in the Construction and Acquisition Account shall be applied by the Trustee upon written direction of the District only for the making of disbursements and payments required to be made by the District pursuant to construction and acquisition contracts relating to its Capital Improvement Program and its constituent parts. Pending their disbursement the Trustee shall invest moneys in the Construction and Acquisition Account in Investment Obligations (see “Investment of Funds” below) having maturities consistent with the anticipated needs for such moneys.

Other Funds and Accounts

In addition to the Bond Proceeds Fund and Accounts therein described above, the Indenture establishes the following special trust Funds and Accounts:

- (1) General Operating Fund (held by the District)
- (2) Debt Service Fund (held by the Trustee)
 - (a) Interest Account
 - (b) Principal Account
- (3) Debt Service Reserve Fund (held by Trustee)
 - (a) Series Accounts
- (4) Self-Insurance Reserve (held by District)
- (5) Improvement, Repair and Replacement Reserve (held by District)
- (6) Rebate Fund (held by Trustee)

From the General Operating Fund, the District is required to transfer funds on a monthly basis to the various other funds and accounts to meet the needs and requirements thereof. Only the Debt Service Fund and the Debt Service Reserve Fund are pledged to the security and payment of the Bonds. See also “SECURITY FOR THE SERIES 2021 BONDS –Funds and Accounts”.

General Operating Fund

All moneys received by the District as Pledged Receipts will be deposited in a General Operating Fund. Moneys in the General Operating Fund are not pledged to the payment of principal of or interest on the Bonds. The District is required to apply amounts in the General Operating Fund in the manner described under the heading “SECURITY FOR THE SERIES 2021 BONDS – Funds and Accounts.”

Debt Service Fund

Interest Account. The District is required to pay moneys from the Interest Account for the purpose of paying interest on the Bonds when due and payable as well as interest on Bonds to be

redeemed to the extent not otherwise provided for in monthly amounts at least equal to one-sixth of the amount of interest on Outstanding Bonds to become due and payable on the next Interest Payment Date.

Principal Account. The District is required to pay moneys from the Principal Account for the purpose of paying the principal of the Bonds when due and payable in monthly installments at least equal to one-twelfth of the amount of the next Principal Installment of Bonds to become due and payable. In addition, the Trustee may, and if so directed by the District shall, apply amounts accumulated in the Principal Account for each Sinking Fund Installment (plus amounts accumulated in the Interest Account for interest on Bonds for which the Sinking Fund Installment was established), before the forty-fifth day preceding the due date of such Sinking Fund Installment, to (i) the purchase of Bonds of the Series and maturity for which the Sinking Fund was established at prices (including brokerage and other charges) not exceeding the Redemption Price payable from Sinking Fund Installments for such Bonds when such Bonds are redeemable by application of such Sinking Fund Installments plus unpaid interest accrued to the date of purchase, or (ii) to the redemption of such Bonds if then redeemable by their terms at the Redemption Price referred to in clause (i). The Trustee is required to pay from the Principal Account the amount required to redeem such Bonds as may be necessary (after taking into account Bonds purchased as aforesaid) to complete the retirement of the Principal amounts specified by any Series Resolution for the Sinking Fund Installments.

Debt Service Reserve Fund

Amounts deposited in the Debt Service Reserve Fund are to be used solely for the payment of Principal Installments of and interest on Bonds as to which there would otherwise be a default in payment. Amounts in excess of the Aggregate Debt Service Reserve Requirement are required to be transferred to the Debt Service Fund, Interest Account, and used to pay next maturing interest on the Bonds. The Aggregate Debt Service Reserve Requirement is equal to the maximum principal and interest requirement on the Bonds of all Series occurring in any Bond Fiscal Year. The Debt Service Reserve Fund may alternatively be funded by the delivery to the Trustee of a Debt Service Reserve Fund Credit Enhancement pursuant to the terms of the Indenture, which may consist of an irrevocable letter of credit, insurance policy, surety bond or other like credit enhancement issued to satisfy the applicable Debt Service Reserve Requirement.

Self-Insurance Fund

The District is required, after making the identified monthly payments to the Debt Service Fund and the Debt Service Reserve Fund to transfer to the Self-Insurance Fund such amount of Pledged Receipts as is required to maintain or accrue the Self-Insurance Fund Requirement (being the greater of \$5,000,000 or such other amount as shall be annually certified to the District by an Independent Insurance Consultant as being the proper level of funding to protect the District from the risks insured against). The Self-Insurance Fund is available for the payment of all liability claims against the District and to pay defense counsel and other defense fees and costs of the District in connection therewith. Moneys in the Self-Insurance Fund shall not be considered moneys held under the Indenture and are not pledged to the payment of the Bonds and shall not constitute part of the trust estate held for the benefit of the holders of the Bonds. See also "SECURITY FOR THE SERIES 2021 BONDS – Funds and Accounts."

Improvement, Repair and Replacement Fund

The Improvement, Repair and Replacement Fund is available and is to be utilized to balance depreciation, to make unforeseen major repairs and replacements and to pay the cost of construction of additions, extensions, betterments and improvements to the System, which will either increase income and revenues or provide a higher degree of service. In addition to any amounts required by any Series Resolution and the Indenture to be set aside and deposited therein, there shall be transferred and deposited to the Improvement, Repair and Replacement Fund any other moneys (a) received by the District from

any other source and duly ordered to be deposited therein (unless required to be otherwise applied), (b) for which the District has exercised a discretion to so deposit or transfer as permitted in the Indenture, and (c) ordered to be so deposited from the proceeds of any Series of Bonds. Within 30 days following the end of each Bond Fiscal Year, all amounts in the Improvements, Repair and Replacement Fund in excess of the amount reasonably required to be maintained therein by the District may be expended and applied by the Trustee upon written direction of the District for (i) transfer to the Operation and Maintenance Fund, or (ii) accrual in the Improvement, Repair and Replacement Fund or (iii) any other lawful purpose of the District. See also “SECURITY FOR THE SERIES 2021 BONDS – Funds and Accounts.”

Rebate Fund

The Rebate Fund is created to enable the District to comply with the provisions of Section 147 of the Code. The District has covenanted to deposit in the Rebate Fund annually all moneys representing excess earnings on funds and accounts created by the Indenture and to rebate such funds to the United States as required by law. Moneys held in the Rebate Fund shall not be considered moneys held under the Indenture and shall not constitute part of the trust estate held for the benefit of holders of the Bonds. The Rebate Fund is not subject to the lien of the Indenture.

Investment of Funds

The Indenture requires or permits investments of moneys in each Fund, consistent with the contemplated uses of such moneys, in Investment Obligations. Investment Obligations are restricted to direct obligations of the United States or obligations guaranteed by the United States, interest-bearing time deposits or certificates of deposit secured by direct obligations of, or obligations guaranteed by, the United States to the extent not insured by Federal Deposit Insurance Corporation, obligations of certain federal agencies and instrumentalities, public housing bonds or project notes issued by public housing authorities secured by a pledge of annual contributions under contribution contracts with the United States or by requisition or payment agreements with the United States and certain tax-exempt obligations. Investment Obligations are deemed to be part of the Fund or Account for which purchased, and income, interest, gains and losses on an Investment Obligation are credited or charged to the Fund or Account for which such Investment Obligation was purchased.

Issuance of Notes, Additional Bonds and Other Obligations

The Indenture provides that the District may issue notes in anticipation of an authorized issuance of a Series of Bonds. Notes are payable from any moneys of the District available therefor and not pledged under the Indenture for the benefit of the Bonds and from the proceeds of the sale of any authorized Series of Bonds in anticipation of which notes were issued. Such proceeds may be pledged for payment of the principal of the notes and such pledge will have priority over any pledge created by the Indenture.

Variable Rate Demand Obligations may also be issued pursuant to the Indenture. Variable Rate Demand Obligations must also be secured by a Credit Facility, and the parity Bond test requires that at the time of issuance of Variable Rate Demand Obligations, the proposed issue of Bonds be calculated for purpose of the formula as bearing interest at the maximum rate permitted.

The Indenture provides that the District may issue notes, bonds and other obligations having such terms and secured by a pledge of such funds as the resolution authorizing the issue provides, but any pledge to the holders of such notes, bonds or other obligations of a Fund or Account created under the Indenture is required to be subordinate in all respects to the pledge created under the Indenture for the benefit of the holders of Bonds, except that proceeds of the sale of Bonds may be pledged for the payment of notes issued in anticipation thereof as aforesaid and additional Series of Bonds may be issued on a

parity with the initially issued Bonds and secured equally by the revenues and assets pledged under the Indenture and payable equally therefrom, as herein described.

Issuance of Parity Bonds

The Indenture provides that from and after the issuance and delivery of any Bonds thereunder, the Indenture shall constitute the sole and exclusive method for the issuance of any further Bonds by the District. See “SECURITY FOR THE SERIES 2021 BONDS – Additional Parity Bonds”.

Issuance of Refunding Bonds

Bonds of one or more Series may be issued to refund outstanding Bonds subject to the following provisions and limitations. A series of Refunding Bonds may be delivered without complying with the parity Bond provisions described above only upon receipt by the Trustee of:

(a) either (i) moneys in an amount sufficient to effect payment at the applicable Redemption Price of the Bonds to be refunded, together with accrued interest thereon to the date of redemption, or (ii) Investment Obligations, the principal of and interest on which, when due, will provide moneys which, together with any moneys deposited with the Trustee at the same time, will be sufficient to pay the principal or Redemption Price of and interest due or to become due on the Bonds to be refunded, and

(b) instructions to the Trustee to give due notice of redemption, by publication or otherwise, of all Bonds to be refunded on a specified redemption date, and

(c) all other documents required to be delivered to the Trustee as a condition precedent to delivery of Bonds of any Series under the Indenture and any Series Resolution.

In addition, the Trustee is required to deliver to the District at the time of delivery of the Series of Refunding Bonds a certificate stating that it holds in trust the moneys and/or Investment Obligations required to affect the aforesaid redemption on the date specified in such Resolution. The date of redemption may be changed by the District under certain conditions.

Modifications of Indenture, Series Resolutions and Outstanding Bonds

The Indenture provides procedures whereby the District may amend the Indenture or a Series Resolution by adoption of a Supplemental Trust Indenture. Amendments that may be made without the Bondholders must be for purposes of further securing the Bonds, imposing further limitations on or surrendering rights of the District or curing ambiguities.

Amendments of the respective rights and obligations of the District and the Bondholders may be made with the written consent of the holders of not less than a majority in principal amount of the outstanding Bonds affected by such amendment. No such amendment shall permit a change in the terms of redemption or maturity of the principal of any outstanding Bond or of any installment of interest thereon or reduce the percentages or otherwise affect the classes of Bonds the consent of the holders of which is required to affect such amendment.

Certain Covenants of the District

Among other covenants made by the District in the Indenture are those related to the following matters:

Rates and Charges. The District has covenanted to at all times establish, enforce, and collect rates, rentals and charges for the services and facilities afforded by the District’s System, provide

necessary allowances for depreciation and for extensions and additions, and to timely retire all outstanding Bonds and interest thereon. Such rates must also be adequate to accumulate and maintain all reserves as provided in the Indenture, and to provide, after fulfillment of all contractual obligations required of the district incident to the Bonds, including accumulation and maintenance of all reserves, Net Revenues at least equal to 1.25 times annual principal, interest, and sinking fund requirements on all Bonds. If necessary, such rates, rentals and charges must be adjusted from time to time in order to comply with the Indenture.

No Decrease in Rates, Rentals and Charges. The District has covenanted that it will not voluntarily at any time make any reduction in any prevailing schedule of rates, rentals and charges without first obtaining the written determination of a Consulting Engineer that any such proposed reduction will not materially affect the ability of the District to meet all the requirements of the Indenture.

General Compliance. The District has covenanted to faithfully and punctually perform all duties with reference to the Districts System required by the Constitution and laws of the Commonwealth of Kentucky and by the provisions of the Indenture.

System Not to Be Sold or Disposed of. The District has covenanted and agreed that so long as any Bonds are outstanding, it will not voluntarily sell, mortgage or otherwise dispose of or surrender control of any of the facilities of the District's System, except as provided in the Indenture.

Accounts and Reports. The District shall keep complete and accurate books of record and account relating to the District's System, and all Funds and Accounts established by the Indenture, which are subject at reasonable times to the inspection of the Trustee and the holders of an aggregate of not less than 5% in principal amount of the Bonds then outstanding or their representatives duly authorized in writing.

Annual Audit. The District has covenanted that it will, within 180 days after the end of each Bond Fiscal Year ending June 30, cause an audit to be made of the books of record and account pertinent to the District's System, and an opinion to be issued by an independent state licensed Certified Public Accountant reflecting in reasonable detail the financial condition and results of operations of the District's System, including the status of the several Funds created by the Indenture, the status of required insurance and fidelity bonding as provided by the Indenture, and the current rates, rentals and charges, with comments concerning compliance with the Indenture, all in accordance with generally accepted governmental accounting principles. A copy of such audit must be submitted by December 31 of each Bond Fiscal Year to the Trustee and to the Board of Directors of the District, and a copy of same shall be filed in the office of the District where it will be available for public inspection.

Budgets. The District shall adopt an Annual Budget for the District's System covering its fiscal operations for the succeeding Bond Fiscal Year not later than July 1 of each year and file it with the Trustee. Copies of same shall be furnished to any Bondholder upon request. The District may file with the Trustee amendments of the Annual Budget for the remainder of the Bond Fiscal Year. The District shall not incur Current Expenses in excess of the amounts provided therefor in the Annual Budget as originally prepared or as amended, except upon resolution determining that such expenses are necessary in order to operate and maintain the District's System.

Tax Covenant. The District has covenanted to do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the District on certain parity Bonds issued as tax exempt bonds shall, for the purposes of federal income taxation, be exempt from income taxation under any valid provision of law. The District shall not permit at any time or times any of the proceeds of the Bonds or other funds of the District to be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any Bond to be an "arbitrage bond" as defined in the Code as then in effect and to be subject to treatment under the Code as an obligation not described in Code, under any valid provision of law hereafter enacted, the interest paid by the District on

the Bonds issued as tax exempt bonds, shall be excludible from the gross income of a recipient thereof for federal income tax purposes without regard to compliance with the provisions of such Code.

In order to assure compliance with such covenant, the District, from the date of adoption of the Indenture, has covenanted that it shall not:

- (a) make any investment that produces a yield in excess of such applicable maximum yield as may be permitted by such Code, and
- (b) invest or direct the Trustee to, and the Trustee shall not, invest moneys in any such Fund or Account in Investment Obligations that produce a yield in excess of such applicable maximum yield as may be permitted such Code.

The District further covenants that prior to the issuance of any Series of Bonds the District shall certify that on the basis of the facts, estimates, and circumstances in existence on the date of issue of such Series it is not expected that the proceeds thereof will be used in a manner that would cause such obligations to be arbitrage bonds. The District has also created the Rebate Fund and has covenanted to remit to the United States any earnings on “gross proceeds” of the Bonds which are required to be so remitted by the Code.

The District has also covenanted that it will take no action which would cause the Series 2021 Bonds to become private activity bonds.

Insurance of Facilities and Fidelity Bonding of Personnel. The District covenants that it will implement and fund its Self-Insurance Plan. To the extent recommended by the Independent Insurance Consultant in the annual report of such consultant, the District has covenanted to keep all buildings, machinery and equipment constituting any part of the District’s System insured as provided in the Indenture, and to cause each officer or other person having custody of any moneys administered under the provisions of the Indenture to be bonded at all times. The District has further covenanted to carry public liability, vehicular insurance and property damage insurance as recommended by the Independent Insurance Consultant.

The District may make modifications to the insurance coverage hereinabove provided, including use of a captive insurance company in whole or in part for any such coverage. In making its decision whether to make such modifications, the District shall consider the availability of commercial insurance, the terms upon which such insurance is available, the cost of such available insurance and the effect of such terms and such costs upon the District’s costs and charges for its services. No such modification shall be made unless the District has received (i) a written recommendation with respect to such modification from the District’s Independent Insurance Consultant and (ii) an unqualified opinion of nationally recognized bond counsel to the effect that such modification will not adversely affect the exclusion from gross income of interest on the Bonds.

Termination of Water Services to Delinquent Users. The District has covenanted that pursuant to KRS 220.510 and any other applicable provisions of law, it will, to the maximum extent authorized by law, enforce and collect the schedule of rates, rentals and charges imposed upon users of the District’s System, and will promptly cause water service to be discontinued to any premises where such District bill is not paid in full.

Statutory Mortgage Lien. Pursuant to the provisions of KRS 220.420, the District has recognized and asserted for the further protection of the holders of the Bonds authorized to be issued by the Indenture a statutory mortgage lien upon the District’s System, which statutory mortgage lien shall take effect immediately upon the delivery of any Bonds authorized to be issued pursuant to the provisions of the Indenture.

Waiver of Laws. The District has covenanted not to insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force which may affect the covenants and agreements contained in the Indenture or in any series resolution or Supplemental Indenture or in the Bonds, and all benefits or advantage of such law or laws has been expressly waived by the District.

Personnel and Servicing of Pollution Abatement Program. The District has covenanted to at all times appoint, retain and employ competent personnel for the purpose of carrying out its System.

Default and Remedies

The Indenture declares each of the following events to be an “Event of Default”:

- (1) default by the District in the payment of any Principal Installment or Redemption Price, if any, on any Bond when due;
- (2) default by the District in the payment of any installment of interest on the Bonds, when due;
- (3) failure or refusal by the District to comply with the Act pursuant to which the District was created, or default in the performance or observance of any other of the covenants, agreements or conditions contained in the Indenture, any series resolution, any Supplemental Indenture or the Bonds, and such failure, refusal or default shall continue for a period of 45 days after written notice thereof by the holder of not less than 5% in principal amount of the outstanding Bonds.

The Indenture provides that upon the happening and continuance of any event described in the foregoing clauses (1) and (2), the Trustee shall proceed, or upon the happening and continuance of an event described in clause (3) the Trustee may proceed, and upon written request of holders of 25% or more in principal amount of the outstanding Bonds, the Trustee shall proceed, in its own name, to protect and enforce its rights and the rights of the Bondholders by such of the following remedies as the Trustee, being advised by counsel, shall deem most effectual:

- (a) enforce by mandamus or other suit, action or proceedings at law or in equity all rights of the Bondholders, including the right to require the District to enforce, collect and receive sewer rates, rentals and charges adequate to carry out the covenants and agreements of the District as to production of income, and to require the District to carry out any other covenant or agreement with Bondholders and to perform its duties under KRS Chapter 220;
- (b) bring suit upon the Bonds;
- (c) require the District by action or suit to account as if it were the trustee of an express trust for the holders of the Bonds;
- (d) enjoin by action or suit any acts or things which may be unlawful or in violation of the rights of the holders of the Bonds;
- (e) declare all Bonds due and payable, and if all default shall be made good (excepting acceleration provisions), then with the written consent of not less than 25% in principal amount of the holders of outstanding Bonds, to annul such declaration and its consequences; and
- (f) in the event that all Bonds are declared due and payable, to sell all Investment Obligations and all other assets of the District (to the extent not theretofore set aside for

redemption of Bonds for which call has been made), and take over the District's System and operate same in the name of the District for the use and benefit of the Bondholders.

The Indenture further provides that no holder of any Bond shall have any right to institute any action unless such holder shall have given to the Trustee written notice of the Event of Default or breach of duty, and unless the holders of not less than 25% in principal amount of the Bonds then outstanding shall have made written request of the Trustee and shall have afforded the Trustee a reasonable opportunity to proceed to institute action and unless also, there shall have been offered to the Trustee reasonable security and indemnity, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Nothing in the Indenture shall affect or impair the right of any Bondholder to enforce the payment of principal of and interest on his Bonds.

No Individual Liability

All covenants, stipulations, promises, agreements and obligations of the District in the Indenture shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the District and not of any member, officer, director or employee of the District in his individual capacity, and no recourse shall be had for the payment of the principal or Redemption Price of or interest on the Bonds or for any claim based thereon or on the Indenture against any member, officer, director or employee of the District or any natural person executing the Bonds.

TAX TREATMENT

General

In the opinion of Bond Counsel for the Series 2021 Bonds, based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the Series 2021 Bonds will be excludible from gross income for Federal income tax purposes, pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, interest on the Series 2021 Bonds will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Code, in computing the alternative minimum tax. Furthermore, Bond Counsel for the Series 2021 Bonds is of the opinion that interest on the Series 2021 Bonds is exempt from income taxation and the Series 2021 Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

A form of the opinion of Bond Counsel for the Series 2021 Bonds is set forth in APPENDIX E, attached hereto.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for Federal income tax purposes of interest on obligations such as the Series 2021 Bonds. The District has covenanted to comply with certain restrictions designed to ensure that interest on the Series 2021 Bonds will not be includable in gross income for Federal income tax purposes. Failure to comply with these covenants could result in interest on the Series 2021 Bonds being includable in income for Federal income tax purposes and such inclusion could be required retroactively to the date of issuance of the Series 2021 Bonds. The opinion of Bond Counsel assumes compliance with these covenants. However, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2021 Bonds may adversely affect the tax status of the interest on the Series 2021 Bonds.

Certain requirements and procedures contained or referred to in the Indenture and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Series 2021 Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Series 2021 Bonds or the interest

thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Dinsmore & Shohl LLP.

Although Bond Counsel for the Series 2021 Bonds is of the opinion that interest on the Series 2021 Bonds will be excludible from gross income for Federal income tax purposes and that interest on the Series 2021 Bonds is excludible from gross income for Kentucky income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2021 Bonds may otherwise affect a Bondholder's Federal, state or local tax liabilities. The nature and extent of these other tax consequences may depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinions regarding any tax consequences other than what is set forth in its opinion and each Bondholder or potential Bondholder is urged to consult with tax counsel with respect to the effects of purchasing, holding or disposing the Series 2021 Bonds on the tax liabilities of the individual or entity.

Receipt of tax-exempt interest, ownership or disposition of the Series 2021 Bonds may result in other collateral federal, state or local tax consequences for certain taxpayers. Such effects may include, without limitation, increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code, increasing the federal tax liability of certain insurance companies, under Section 832 of the Code, increasing the federal tax liability and affecting the status of certain S Corporations subject to Sections 1362 and 1375 of the Code, increasing the federal tax liability of certain individual recipients of Social Security or the Railroad Retirement benefits under Section 86 of the Code and limiting the amount of the Earned Income Credit under Section 32 of the Code that might otherwise be available. Ownership of any of the Series 2021 Bonds may also result in the limitation of interest and certain other deductions for financial institutions and certain other taxpayers, pursuant to Section 265 of the Code. Finally, residence of the holder of the Series 2021 Bonds in a state other than Kentucky or being subject to tax in a state other than Kentucky may result in income or other tax liabilities being imposed by such states or their political subdivisions based on the interest or other income from the Series 2021 Bonds.

The District has NOT designated the Series 2021 Bonds as "qualified tax-exempt obligations" under Section 265 of the Code.

Original Issue Premium

"Acquisition Premium" is the excess of the cost of a bond over the stated redemption price of such bond at maturity or, for bonds that have one or more earlier call dates, the amount payable at the next earliest call date. The Series 2021 Bonds that bear an interest rate that is higher than the yield (as shown on the cover page hereof), are being initially offered and sold to the public at an Acquisition Premium (the "Premium Bonds"). For federal income tax purposes, the amount of Acquisition Premium on each bond the interest on which is excludible from gross income for federal income tax purposes ("tax-exempt bonds") must be amortized and will reduce the bondholder's adjusted basis in that bond. However, no amount of amortized Acquisition Premium on tax-exempt bonds may be deducted in determining bondholder's taxable income for federal income tax purposes. The amount of any Acquisition Premium paid on the Premium Bonds, or on any of the Series 2021 Bonds, that must be amortized during any period will be based on the "constant yield" method, using the original bondholder's basis in such bonds and compounding semiannually. This amount is amortized ratably over that semiannual period on a daily basis.

Holders of any Series 2021 Bonds, including any Premium Bonds, purchased at an Acquisition Premium should consult their own tax advisors as to the actual effect of such Acquisition Premium with respect to their own tax situation and as to the treatment of Acquisition Premium for state tax purposes.

Original Issue Discount

The Series 2021 Bonds having a yield that is higher than the interest rate (as shown on the cover page hereof) are being offered and sold to the public at an original issue discount (“OID”) from the amounts payable at maturity thereon (the “Discount Bonds”). OID is the excess of the stated redemption price of a bond at maturity (the face amount) over the “issue price” of such bond. The issue price is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of bonds of the same maturity are sold pursuant to that initial offering. For federal income tax purposes, OID on each bond will accrue over the term of the bond, and for the Discount Bonds, the amount of accretion will be based on a single rate of interest, compounded semiannually (the “yield to maturity”). The amount of OID that accrues during each semi-annual period will do so ratably over that period on a daily basis. With respect to an initial purchaser of a Discount Bond at its issue price, the portion of OID that accrues during the period that such purchaser owns the Discount Bond is added to such purchaser’s tax basis for purposes of determining gain or loss at the maturity, redemption, sale or other disposition of that Discount Bond and thus, in practical effect, is treated as stated interest, which is excludible from gross income for federal income tax purposes.

Holders of Discount Bonds should consult their own tax advisors as to the treatment of OID and the tax consequences of the purchase of such Discount Bonds other than at the issue price during the initial public offering and as to the treatment of OID for state tax purposes.

LEGAL MATTERS

Certain legal matters incident to the authorization, sale and issuance of the Series 2021 Bonds are subject to the approval of Dinsmore & Shohl LLP, Bond Counsel to the District. Certain legal matters will be passed upon for the District by its General Counsel, Brian Ellerman, Esq. The approving opinion of Bond Counsel to the District will be printed on the Series 2021 Bonds substantially in the form attached to this Official Statement as APPENDIX E.

The information contained in this Official Statement under the headings “INTRODUCTORY STATEMENT,” “PURPOSE OF FINANCING,” “DESCRIPTION OF THE SERIES 2021 BONDS,” “SECURITY FOR THE SERIES 2021 BONDS,” “THE INDENTURE,” “TAX TREATMENT” AND “LEGAL MATTERS” has been reviewed by Bond Counsel to determine that such information conforms in substance to the proceedings and laws relating to the issuance of the Series 2021 Bonds that are summarized in such information (see “Reference to Documents” hereinafter); but Bond Counsel has not undertaken to review the accuracy or completeness of statements and data otherwise contained in this Official Statement, including the Appendices, and expresses no opinion thereon and assumes no responsibility in connection therewith.

CONTINUING DISCLOSURE UNDERTAKING

In accordance with Securities and Exchange Commission Rule 15c2-12 (the “Rule”), the District will agree, for the benefit of Holders and beneficial owners of the Series 2021 Bonds, pursuant to a Continuing Disclosure Agreement to be dated the first day of the month in which the Series 2021 Bonds are sold (the “Disclosure Agreement”), to be delivered on the date of delivery of the Series 2021 Bonds, to cause the following information to be provided:

- (a) to the Municipal Securities Rulemaking Board (the “MSRB”), certain annual financial information and operating data, including audited financial statements prepared in accordance with generally accepted accounting principles, which financial statements include certain information similar to what is contained in Appendices A and B; such information shall be provided on or before 180 days following the fiscal year ending on the preceding June 30, commencing with the fiscal year ending June 30, 2021;

(b) to the MSRB, in a timely manner, not in excess of ten business days after the occurrence of the event, notice of the occurrence of the following events with respect to the Series 2021 Bonds; and

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security;
- (vii) Modifications to rights of security holders, if material;
- (viii) Bond calls, if material, and tender offers (except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event);
- (ix) Defeasances;
- (x) Release, substitution or sale of property securing repayment of the securities, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the District (Note: For the purposes of this event, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District);
- (xiii) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material; and
- (xv) Incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and
- (xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties.

(c) to the MSRB, timely notice of a failure of the District to provide the required Annual Financial Information on or before the date specified in the Disclosure Agreement.

The Disclosure Agreement provides a Holder of the Series 2021 Bonds, including beneficial owners of the Series 2021 Bonds, with certain enforcement rights in the event of a failure by the District

to comply with the terms thereof; however, default under the Disclosure Agreement does not constitute an event of default under the Indenture. The Disclosure Agreement may also be amended or terminated under certain circumstances in accordance with the Rule as more fully described therein. Holders of the Series 2021 Bonds are advised that the Disclosure Agreement, the form of which is obtainable from the Financial Advisor, should be read in its entirety for more complete information regarding its contents.

For purposes of this transaction with respect to events as set forth in the Rule:

- (a) there are no liquidity providers applicable to the Series 2021 Bonds; and
- (b) there is no property securing the repayment of the Series 2021 Bonds.

The District previously entered into continuing Disclosure Agreements pursuant to the Rule. Pursuant to outstanding continuing disclosure agreements the District is required to file certain annual financial information with the MSRB. All such annual financial information has been filed in the last five years. The District has established procedures to assure compliance with its continuing disclosure obligations. The District intends to meet its continuing disclosure obligations with respect to the annual financial information for all future periods, to the extent the District can control the preparation process.

RATINGS

S&P Global Ratings (“S&P”) and Moody’s Investors Service, Inc. (“Moody’s”) have assigned the Series 2021 Bonds the respective ratings of “AA” and “[__].” Each rating reflects only the views of the respective Rating Agency. Explanations of the significance of the ratings may be obtained from each Rating Agency as follows: Moody’s Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, (212) 553-0300; and Standard & Poor’s Ratings Services, a Division of the McGraw-Hill Companies, Inc., 55 Water Street, New York, New York 10041 (212) 438 2124.

A rating is not a recommendation to buy, sell or hold the Series 2021 Bonds. There is no assurance that such ratings will continue for any given period of time or that they may not be lowered or withdrawn entirely. Any such downward change in or withdrawal of such ratings could have an adverse effect on the market price of the Series 2021 Bonds.

LITIGATION

To the knowledge of the District, there is no controversy or litigation of any nature now pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Series 2021 Bonds, or in any way contesting or affecting the validity of the Series 2021 Bonds, any proceedings of the District taken with respect to the issuance or sale thereof, the pledge or application of any moneys or security provided for the payment of the Series 2021 Bonds.

The District routinely faces legal challenges in connection with the improvement of the System. The District has historically prevailed in such challenges or has reached settlements with other parties that have enabled it to continue with its modernization and improvements program. An adverse determination in such legal proceedings could delay the District’s programs and/or increase costs.

UNDERWRITING

The Series 2021A Bonds are being purchased for reoffering by _____ (the “Underwriter”). The Underwriter has agreed to purchase the Series 2021A Bonds at an aggregate purchase price of \$_____ (reflecting the par amount of the Series 2021A Bonds, [plus premium/less discount] of \$_____, less underwriter’s discount of \$_____). The initial public offering prices, which produce the yields set forth on the inside cover page of this Official Statement, may be changed by the Underwriter and the Underwriter may offer and sell the Series 2021A

Bonds to certain dealers (including dealers depositing Series 2021A Bonds into investment trusts) and others at prices lower than the offering prices which produce the yields set forth on the inside cover page.

The Series 2021B Bonds are being purchased for reoffering by _____ (the “Underwriter”). The Underwriter has agreed to purchase the Series 2021B Bonds at an aggregate purchase price of \$_____ (reflecting the par amount of the Series 2021B Bonds, [plus premium/less discount] of \$_____, less underwriter’s discount of \$_____). The initial public offering prices, which produce the yields set forth on the inside cover page of this Official Statement, may be changed by the Underwriter and the Underwriter may offer and sell the Series 2021B Bonds to certain dealers (including dealers depositing Series 2021B Bonds into investment trusts) and others at prices lower than the offering prices which produce the yields set forth on the inside cover page.

FINANCIAL ADVISOR

RSA Advisors, LLC, Lexington, Kentucky has acted as Financial Advisor to the District in connection with the issuance of the Series 2021 Bonds and will receive a fee from Series 2021 Bond proceeds, for its services as Financial Advisor.

REFERENCE TO DOCUMENTS

All foregoing summaries and descriptions of provisions set forth in the Indenture and all references to other documents and materials not purported to be quoted in full are brief outlines of certain provisions thereof; and reference to such documents, copies of which are obtainable from the District upon written request, is hereby made.

CONCLUSION

Sanitation District No. 1, acting by and through its Board of Directors has approved this Official Statement and caused this Official Statement to be executed and delivered by its President. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or holders of any of the Series 2021 Bonds herein described. This Official Statement, including the Appendices, has been duly approved, executed and delivered by the District.

SANITATION DISTRICT NO. 1

By /s/ _____
 President

Dated: _____, 2021

APPENDIX A

THE DISTRICT

SANITATION DISTRICT NO. 1

History and Overview

Sanitation District No. 1 (SD1) was established by the Division of Sanitary Engineering of the Kentucky Department of Health in 1946 in accordance with its enabling legislation, Kentucky Revised Statutes (KRS) 220 (the Act). SD1's original service area contained 17 municipalities and covered 25 square miles. Until 1995, each municipality was responsible for the operation and maintenance of its own wastewater collection system and SD1 was responsible for transporting and treating the wastewater, through operating and maintaining 124 miles of main interceptor lines.

As a result of increasing environmental regulations, the Act was revised in 1995, allowing 28 cities in Northern Kentucky to turn over ownership of their sanitary sewer systems to SD1. The Act gives SD1 the power to construct, operate, repair and maintain sewers, trunk sewers, laterals, intercepting sewers, siphons, pump stations, treatment and disposal works and other appropriate facilities.

In 1969, SD1 began planning for future wastewater collection and treatment needs. The goal was to ensure that the region's growing population had access to efficient wastewater services and that these services were in full compliance with new water quality standards set forth in the Federal Water Pollution Control Act, which subsequently became the Clean Water Act.

To meet increasing water quality standards and sewage treatment requirements, SD1 built Dry Creek Wastewater Treatment Plant, which began operation in 1979. Seven interceptor sewers, two force mains, two new pump stations and a 60-inch diffuser system to disperse the treated wastewater into the Ohio River were constructed to help serve the new plant. The plant was designed as a secondary or biological treatment facility, reducing the amount of pollution entering the Ohio River. It originally had a design capacity of 30 million gallons per day (MGD), but in 1993, the plant was upgraded to a design capacity of 46.5 MGD.

In 2007, SD1 opened the Eastern Regional Water Reclamation Facility in Alexandria. The state-of-the-art facility incorporates innovative wastewater treatment and odor control technologies. The smallest of SD1's treatment facilities, Eastern Regional has a flow capacity of 4 MGD.

Five years later, the Western Regional Water Reclamation Facility opened, cleaning water from most of Boone County and parts of Kenton County and alleviating demand from Dry Creek. It takes about 27 hours for water to go through the treatment process at Western Regional, which has a flow capacity of about 20 MGD.

Today, SD1 is responsible for the collection and treatment of virtually all of Northern Kentucky's wastewater, serving communities in Boone, Campbell and Kenton counties. In 2019, in partnership with the US Environmental Protection Agency and the Commonwealth of Kentucky Energy and Environment Cabinet, SD1 launched Clean H2O40, a comprehensive public commitment to addressing sewer overflows in Northern Kentucky.

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Regional Storm Water Utility

The Northern Kentucky Regional Storm Water Management Program was designed to comply with U.S. EPA's Phase II Storm Water Regulations and prepare SD1 to take over ownership and maintenance of the public storm sewer systems in about 30 local cities and unincorporated portions of three counties.

The cities and counties required to comply with these new regulations determined that the most cost-effective and efficient approach for addressing local storm water management issues, including compliance with federal Phase II storm water requirements, was to develop and implement a regional approach under SD1's guidance. Although designated as Phase II communities, the cities of Florence, Cold Spring and Covington have opted to develop and implement their own storm water management programs and are not part of the regional program managed by SD1.

In 2003, SD1 entered into interlocal agreements with 33 local governments in Northern Kentucky. These gave SD1 the responsibility to undertake permitting requirements and other related services regarding the Storm Water Phase II Management Program, while the ownership and maintenance responsibilities for the public storm water system remained with the local governments. These interlocal agreements contemplated that at some point SD1 would assume the ownership and maintenance of storm water drainage facilities owned by the local government.

Beginning in 2009, storm water infrastructure transfer agreements were developed and approved by a majority of the cities and counties in Northern Kentucky, accomplishing the shift of ownership and maintenance responsibilities relating to the public storm water drainage system.

Service Area

SD1's wastewater service area covers about 190 square miles providing wastewater services to nearly 340,000 residential population in 32 municipalities and unincorporated areas of Boone, Campbell and Kenton Counties. SD1 bills over 99,195 Residential and 10,430 Non-Residential wastewater accounts. SD1 owns, operates and maintains approximately 1,662 miles of combined and separated sanitary sewers, three regional wastewater treatment plants, four small wastewater treatment plants, and 121 pump stations.

SD1's storm water service area covers about 184 square miles providing storm water services to more than 300,000 residential population in 29 municipalities and unincorporated areas of Boone, Campbell and Kenton Counties. SD1 bills over 87,000 Residential and 8,350 Non-Residential storm water accounts. SD1 owns, operates and maintains approximately 428 miles of storm sewer pipe, 32,728 storm sewer structures, 15 flood pump stations and 93 flood gate structures.

SD1 is the second largest public sewer utility in Kentucky. As the following table demonstrates, both sewer line mileage and related responsibilities have increased substantially since 1981.

<u>Category</u>	<u>1981</u>	<u>2021</u>
Approximate Service Population	144,474	314,550
Miles of Sewer Line	69	1,662
Employees	65	256
Average Gallons Treated (MGD)	19.5	35.4
Pump Stations	16	121
Flood Pump Stations	0	15

Governance

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 served. Members are appointed by the Judges Executive and the Fiscal Courts of Boone, Campbell and Kenton Counties. 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 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.

Board of Directors

Bob Boswell

President

Second Term Expires: December 31, 2022

Mr. Boswell was appointed to the SD1 Board of Directors in December 2014 representing Boone County. Bob Boswell is president of Bob Boswell Insurance Agency Inc. and has been a State Farm Insurance agent since 1977.

A Northern Kentucky University graduate, Mr. Boswell currently lives in Boone County but earlier in his life has lived in both Kenton and Campbell counties.

Mr. Boswell is a past president of the NKU Alumni Association and served as a board member of the Transit Authority of Northern Kentucky (TANK) from 2003 to 2008, including as chairman in 2008. He also is a member of the Florence Baptist Church at Mt. Zion and has served for 13 years as a public address announcer for Boone County Boys' Basketball.

Bob married wife Lee Anne in 1975. They have four children and eight grandchildren.

Rick Wessels

Vice President

Third Term Expires: July 15, 2024

Mr. Wessels was appointed to the SD1 Board of Directors in July 2012 representing Kenton County. Rick Wessels was born and raised in Crescent Springs, Kentucky. After graduating from Covington Catholic High School, he received a Bachelor of Arts in architecture from Miami University.

Currently, Mr. Wessels is a registered architect in the state of Kentucky and is a partner of Wessels Construction & Development Company, Inc. Prior to becoming a partner of this company, he was an architect with firms in both Cincinnati and Columbus, Ohio.

Mr. Wessels served as a council member for the City of Crescent Springs from 1998 until 2002 and is a former Chairman of the Kenton County Building Code Appeals Board. He is a past president, youth soccer coach and volunteer of the Villa Hills Soccer Club, and he has also been involved with the NK United Soccer Club as well as the Cincinnati Kings Soccer Club.

He currently lives in Ft. Mitchell, Kentucky with his three sons.

Robert Horine

Secretary

Second Term Expires: December 12, 2022

Robert Horine was appointed to the SD1 Board of Directors in June of 2015 representing Campbell County. Mr. Horine has 38 years of diverse experience in both the public and private sectors. He most recently served as county administrator for Campbell County Fiscal Court. Previously, he worked in management and planning at Cincinnati Bell, the City of Covington, Northern Kentucky Area Planning Commission and KZF, Incorporated.

Mr. Horine has a master's degree in community planning from the University of Cincinnati and a bachelor's degree in urban studies from the University of Kentucky. Robert is a graduate of Leadership Kentucky and has served many organizations committed to improving the quality of life throughout Northern Kentucky and Greater Cincinnati.

Katie Nolan

Treasurer

First Term Expires: December 31, 2024

Mrs. Nolan was appointed to the SD1 Board of Directors in December 2020 representing Boone County. Katie Nolan currently resides in Boone County with her husband and youngest daughter. Her older two children are currently attending the University of Cincinnati and University of Kentucky.

Mrs. Nolan attended the University of Louisville, where she received her Bachelor of Science and Master of Engineering in Civil Engineering. She is a registered engineer in Kentucky and Ohio and is currently working at Gresham Smith as a Senior Project Engineer and Ohio Operations Manager.

Mrs. Nolan previously served on the Boone County Urban Forest Commission as well as the Boone County Planning Commission. She is an active member of the KY/TN sections of the Clean Water Professionals and American Water Works Association.

Robert (Bob) Schroeder

Director

Third Term Expires: December 1, 2021

Mr. Schroeder was appointed to the SD1 Board of Directors in January 2010 representing Kenton County. Robert (Bob) Schroeder currently resides in southern Kenton County and has been a lifelong resident of Northern Kentucky, except when living in Lexington while he attended college. Mr. Schroeder attended the University of Kentucky where he received a Bachelor of Science in business in 1968, a Master of Business Administration in 1969 and a juris doctor degree (law school) in 1972.

From 1973 through 1990, Bob owned a private law practice in Covington, KY. The majority of his work was in the areas of corporate and real estate. Mr. Schroeder then joined Arlinghaus Builders in 1990 and currently serves as vice president.

Mr. Schroeder served several years as a president of the Home Builders Association of Northern Kentucky, and volunteers as a basketball coach and a member of the local advisory board for the Special Olympics.

He is one of 11 children and was raised in Ft. Mitchell, KY. Mr. Schroeder has four children and five grandchildren.

Jack Scott

Director

Second Term Expires: July 14, 2024

Mr. Scott was appointed to the SD1 Board of Directors representing Campbell County. Since 1971, Robert Jackson (Jack) Scott III, has worked for Terracon Consulting (formerly H.C. Nutting Co.) as a professional geologist, project manager and engineering consultant. He was instrumental in the founding and transition of Terracon from H.C. Nutting Co. (HCN) and held senior management positions at HCN and Terracon for 30 years.

Mr. Scott received a bachelor's degree in Geology from Hanover College and pursued civil, geotechnical, environmental and mining engineering at the graduate level at the University of Cincinnati and West Virginia University. An active member of his community, Mr. Scott is involved in numerous public and private charities and organizations, including Spirit of Construction, the Rotary Club of Cincinnati and the Campbell County Extension Council, among others. He serves in leadership positions for 12 of these associations, including SD1.

Currently, Mr. Scott resides in Campbell County with his wife Sue.

Russ Horsley

Director

Second Term Expires: July 15, 2024

Mr. Horsley was appointed to the SD1 Board of Directors in July 2016 representing Kenton County. Russ Horsley is a retired officer in the United States Navy and has extensive experience in engineering, maintenance and utility operations management in the pulp, paper and chemical processing and manufacturing industries. He earned his Bachelor of Science in electrical engineering from North Carolina State University and his Master of Science in systems management from the University of Southern California.

In addition to his service on the SD1 Board of Directors, he serves the community as a member of the Board of Overseers of the historic Linden Grove Cemetery and Arboretum in Covington. Mr. Horsley lives in Covington with his wife Barb and enjoys spending time with his three children and six granddaughters.

Joe Bessler

Director

First Term Expires: December 12, 2022

Mr. Bessler was appointed to the SD1 Board of Directors representing Kenton County. Joe Bessler grew up in Lakeside Park, KY and currently lives in Villa Hills with his wife Ruthie.

Mr. Bessler attended Blessed Sacrament School, Covington Catholic High School and Thomas Moore College. He started Bessler Auto Parts in 1985 with two employees, and the company has grown to four locations and 80 employees. Mr. Bessler currently serves as the company's president.

Mr. Bessler is active in Saint Joe's Catholic Church and Saint Joe's Holy Name Society; he is on the board of directors of the Friends of the Rose Garden Mission in Covington.

Mr. Bessler enjoys life, the outdoors, water sports, snow skiing and cycling. He loves spending time with his four sons, their wives and five grandchildren.

Management, Organization and Staff

SD1 is made up of several departments, including plant operations and maintenance; collection systems; infrastructure and capital planning; design and construction management; integrated watershed management; and administration. As of July 1, 2021, SD1 employs 265 full- and part-time personnel. SD1's executive management and key financial personnel include:

Adam Chaney

Executive Director

Adam Chaney took over as executive director on Jan. 3, 2017. Mr. Chaney also served on the SD1 board since 2014 and acted as president since July 2015.

Mr. Chaney is a lifelong Boone County resident currently living in Burlington with his wife of 15 years, Suzanne, and their three children Spencer, Amber and Ashley. Most of Adam's free time is spent coaching, supporting and attending his children's multiple sporting events and activities.

After earning a degree in finance from the University of Kentucky, Mr. Chaney began his career as a commercial credit analyst and lender in the Northern Kentucky market. In 1997, he left banking to start an airport concessions business in the Cincinnati/Northern Kentucky International Airport. Mr. Chaney expanded this business nationally and eventually sold the company to start a real estate development and construction firm.

Over the last 15 years, Mr. Chaney has owned and managed multiple real-estate-related entities and works as a court-appointed receiver on real estate foreclosure cases in both Ohio and Kentucky.

In addition to these responsibilities, Mr. Chaney also manages an alternative investment portfolio formed primarily to leverage the self-directed 401(k) assets of its members.

Mr. Chaney has served on the Home Builders Association of Northern Kentucky board of directors for the past eight years and became an executive officer in 2008; he has also served as the organization's president. He was also honored as "Builder of the Year" by the HBA in 2010.

Brian Ellerman

General Counsel

Brian M. Ellerman joined SD1 as general counsel in July of 2015. As in-house general counsel, he plays a vital role in SD1's efforts to provide reliable wastewater and storm water services to protect public health, property and the environment while supporting the community's economic vitality.

Mr. Ellerman has served as general counsel for Toebben Companies and previously served as a partner at Adam, Stepner, Woltermann and Dusing. He holds a Bachelor of Arts in English and political science from Northern Kentucky University and a law degree from Salmon P. Chase College of Law.

Mr. Ellerman has devoted much of his personal time to the Northern Kentucky community, including as a current board member for the Transit Authority of Northern Kentucky (TANK).

Ron Schmitt Jr.

Director of Finance

Mr. Schmitt joined SD1 in 2000 as Manager of Account Services and was promoted to Director of Finance in 2005. Ron is responsible for overseeing the finance, accounting, utility billing and purchasing functions.

Prior to joining SD1, Mr. Schmitt spent nearly 10 years in management in the hospitality industry working at the Drawbridge Inn and Marriott RiverCenter.

Mr. Schmitt is a current member of the Government Finance Officers Association (GFOA). Mr. Schmitt received his Bachelor of Science in accounting from Northern Kentucky University.

Mr. Schmitt enjoys being active in his children's activities, including assisting with soccer and basketball teams.

Debbie Vinson

Accounting Manger

Ms. Vinson joined SD1 in August of 2009 as an accounting manager. She is responsible for overseeing the operations of the Accounting Department and assuring proper accounting controls and procedures are in accordance with generally accepted accounting principles and regulatory accounting requirements.

Prior to joining SD1, Ms. Vinson was employed by the City of Newport, Kentucky for more than 15 years. She began her career with Newport in 1994 as an accountant and was promoted over the years to treasurer, financial officer and chief financial officer.

Ms. Vinson received her Bachelor of Science in management and finance in 1993 from Northern Kentucky University. She is currently a member of the Government Finance Officers Association (GFOA). She resides in Fort Thomas, Kentucky with her husband and three children. Ms. Vinson enjoys spending her free time being active in her children's activities and school functions.

THE SD1 SEWER SYSTEM

Wastewater System

SD1 operates three major water reclamation facilities, 124 pump stations, more than 1,650 miles of sanitary, storm and combined sewer lines and other facilities, as described below. SD1 has historically financed its major sanitary sewer facilities by applying the proceeds of SD1 bonds and Kentucky Infrastructure Authority State Revolving Loan funds.

Major Wastewater Treatment Facilities – Dry Creek Wastewater Treatment Plant, Eastern Regional Water Reclamation Facility and Western Regional Water Reclamation Facility.

SD1 owns and maintains the award-winning Dry Creek Wastewater Treatment Plant (Dry Creek). Dry Creek is a regional wastewater treatment plant that began operation in 1979. It treats an average of 25.2 million gallons per day (mgd) and then discharges into the Ohio River under its KPDES permit. Dry Creek receives flow from both the combined and separate sewer systems. The plant's permitted design flow is 46.5 million gallons per day (mgd), but during wet weather events the flows from the combined

system exceed this capacity. In accordance with Dry Creek KPDES permit KY0021466, the plant blends flows exceeding 55 mgd. When blending, all flows receive primary treatment at the plant, but to protect the plant's biological secondary treatment process, flows beyond 55 mgd bypass secondary treatment and are recombined prior to the disinfection process. All blended flows are disinfected with liquid chlorine and dechlorinated prior to discharge.

The Eastern Regional Water Reclamation Facility began accepting flow on September 24, 2007 after nearly three years of construction. It was constructed to eliminate recurring SSOs due to deteriorated infrastructure and replace and receive the combined flows of the existing Alexandria, Southern Campbell County Industrial Park and Pond Creek treatment plants. Beyond eliminating these package plants, it also accommodates future growth in Campbell County. The plant's permitted design flow is 4 million gallons per day and it currently treats an average of 1.1 million gallons per day.

The Western Regional Water Reclamation Facility began accepting flow in early 2012. As SD1's second largest treatment plant, it relieves demand on Dry Creek. The plant's permitted design flow is 20 million gallons per day and it currently treats an average of 8.9 million gallons per day.

Accounts – Sanitary Sewer (Wastewater)

SD1's fiscal year is from July 1 to June 30. The following table provides data on the average number of sanitary sewer customer accounts served by SD1 for each fiscal year from 2001 through 2020. The number of customers has increased approximately 21.1 percent.

<u>Fiscal Year</u>	<u>Average Number of Sanitary Sewer Accounts by Fiscal Year</u>
2001	89,500
2002	91,496
2003	92,478
2004	94,201
2005	97,523
2006	99,835
2007	100,802
2008	101,753
2009	102,377
2010	100,537
2011	101,996
2012	102,126
2013	102,413
2014	102,847
2015	103,570
2016	104,496
2017	105,492
2018	106,610
2019	107,393
2020	108,382
2021	109,628

Small Wastewater Treatment Plants

SD1 owns and operates the following smaller treatment plant and package plants located in Boone and Campbell counties:

- Rivershore Farms Wastewater Treatment Plant
- Charles H. Kelly Elementary Wastewater Treatment Plant
- Ethans Glen Wastewater Treatment Plant
- Verona Commons Wastewater Treatment Plant

SD1's small plants crew is responsible for inspecting these facilities on a regular basis. SD1 also operates, by contract, three other facilities in Northern Kentucky.

The Collection and Transport System

Wastewater is conveyed to Dry Creek through an extensive system of interceptor sewers, pumping stations, and force mains. There are three main sections to the transport system, all of which carry flow to Dry Creek. The three sections are identified as (i) the Bromley Pump Station and force main, (ii) the Taylorsport Pump Station and force main and (iii) the Dry Creek interceptor.

SD1's collection system consists of both combined sewers and separate sewers. The combined sewers are located primarily in the river cities of Dayton, Bellevue, Newport, Covington, Ludlow, and Bromley. However, a number of separate sewer systems discharge into the combined sewer system.

SD1 operates 124 pump stations and 15 flood pump stations in Boone, Campbell and Kenton counties as of August 2020. These flood control systems prevent river water from entering the sanitary sewer system when the river is at flood stage. If river water does enter the system, the river cities would experience flooding and backups.

Storm Water System

SD1 manages storm water runoff to protect property, public health and the environment in Northern Kentucky. SD1 takes a regional approach to storm water because creeks and rivers don't start and stop in just one city or county. SD1 owns and operates 15 flood pump stations, approximately 31,660 storm sewer structures and more than 425 miles of storm sewer pipes in Boone, Campbell and Kenton counties.

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SD1's fiscal year is from July 1 to June 30. The following table provides data on the number of storm water customer accounts served by SD1 for each fiscal year from 2004 through 2020. Since fiscal year 2004, the number of customers has increased approximately 20.7 percent.

<u>Fiscal Year</u>	<u>Average Number of Storm Water Accounts by Fiscal Year</u>
2004	81,093
2005	84,875
2006	91,039
2007	93,102
2008	95,202
2009	95,242
2010	93,888
2011	94,426
2012	94,500
2013	94,765
2014	94,171
2015	94,201
2016	94,658
2017	95,755
2018	97,947
2019	97,304
2020	97,859
2021	95,546

Selected Historical Financial Information

The following pages present selected historical financial information regarding the operations of SD1 over a period of five fiscal years. The audit firm of Von Lehman CPA & Advisory Firm has audited SD1's financial information. The current and previous auditors have reviewed the following selected historical financial information, which was extracted from the annual audits and found it to be in agreement with the firm's audits of SD1.

SD1 SANITARY SEWER CHARGES AND RATES

Major Source of Revenue – Customer Billing

SD1 derives the majority of its revenues from sewer charges levied against customers pursuant to SD1's approved rate schedule. Charges are based upon metered water consumption records as obtained from the three water utilities serving SD1 customers. Customers who do not have meters are charged by SD1 on a flat rate schedule. The following is the breakdown of SD1's operating revenues:

- Net Sewer Service Charges approximately 78.1%
- Net Storm Water Revenues – 12.0%
- Capacity Connection fees 4.9%
- Industry Surcharge Revenues 2.9%, and
- Other Income 2.1%.

SD1 bills for sanitary sewer services on a monthly cycle based on a winter usage factor for all residential customers. Non-residential customers are billed either monthly or quarterly depending on the meter reading frequency. Accounts receivable and related sewer service revenues are recorded when billed, and provisions are made to accrue unbilled cycles at the year-end.

SD1 has the power under Kentucky Revised Statutes (KRS) 220 to establish, enforce, and collect sanitary sewer rates, rentals and charges for the services and facilities of its sewer system. Under federal regulations, user charges are required to result in distribution of the system operation and maintenance costs to each user in approximate proportion to his contribution to the total wastewater loading on the treatment works. The surcharge, hereinafter described under "surcharge for high concentration effluent," is the principal method SD1 uses to achieve this equity in billing. The industrial customers are required to pay additional costs above the normal rates if their wastewater strength is above that of the typical domestic user.

Chapter 220 of the Kentucky Revised Statutes provides that SD1 may, in the event of nonpayment of SD1 rates by any sewer user, notify the municipality, firm, person or corporation providing water service to such user to shut-off water service to such user's premises until such time as SD1 sewer rates have been paid in full.

SD1 has been advised by counsel that the right to water service may be deemed to be protected by the United States Constitution against arbitrary or unreasonable termination. SD1's collection methods, including the use of shut-off notices under certain circumstances, have been in effect for more than 30 years, and SD1 believes its methods are reasonable and appropriate.

Rate History

SD1 implemented a rate increase in fiscal year 1979. Based on the low debt service burden, strong operating cash flow results, and ample debt service coverage, SD1 reduced rates in fiscal year 1986. In 1994, SD1's mission broadened to include serving retail customers, which expanded the infrastructure requirements and led to the development of a long-term capital improvement program. To provide additional revenues to meet SD1's capital and operating needs, SD1 authorized the following sanitary sewer rate increases:

- 35% effective May 1, 2000
- 14.35% effective May 1, 2001
- 14.35% effective May 1, 2002
- 14.35% effective May 1, 2003
- 15% effective April 1, 2006
- 20% effective April 1, 2007
- 20% effective April 1, 2008
- 15% effective April 1, 2009
- 15% effective April 1, 2010
- 15% effective April 1, 2011
- 15% effective April 1, 2012
- 5% effective July 1, 2014
- 5% effective July 1, 2016
- 5% effective July 1, 2017
- 5% effective July 1, 2018

Effective July 1, 2019

- Non-Residential – 5% increase
- * New Residential Rate Structure – Monthly
 - Base Rate: \$16.00
 - Environmental Surcharge: \$5.00
 - Variable Rate for HCF above 2 HCF: \$7.25 per HCF (Winter Factor Billing)

Effective July 1, 2020

- Non-Residential – 0% increase
- * New Residential Rate Structure – Monthly
 - Base Rate: \$19.00
 - Environmental Surcharge: \$6.00
 - Variable Rate for HCF above 2 HCF: \$6.05 per HCF (Winter Factor Billing)

* Four year rate increase in Residential Base Rate & Environmental Surcharge approved in May 2019.

Effective July 1, 2021

- Non-Residential – 5% increase
- * New Residential Rate Structure – Monthly
 - Base Rate: \$23.00
 - Environmental Surcharge: \$7.00
 - Variable Rate for HCF above 2 HCF: \$5.24 per HCF (Winter Factor Billing)

**Sanitation District No. 1
Sanitary Sewer Rate History**

	1979	1986	1999	May 1, 2000	May 1, 2001	May 1, 2002
Metered Water Usage (Rate Per HCF)						
0 – 8 HCF	\$1.20	\$1.13	\$1.13	\$1.53	\$1.75	\$2.01
9 – 50 HCF	\$1.14	\$1.06	\$1.06	\$1.44	\$1.65	\$1.89
51 – 250 HCF	\$1.02	\$0.95	\$0.95	\$1.29	\$1.48	\$1.70
251 – 1000 HCF	\$0.87	\$0.81	\$0.81	\$1.10	\$1.26	\$1.45
All Over 1000 HCF	\$0.79	\$0.74	\$0.74	\$1.00	\$1.15	\$1.32
Quarterly Min. Bill:	\$9.60	\$9.04	\$9.04	\$12.24	\$14.00	\$12.06
Unmetered Service Quarterly Rates						
1 or 2 Room House	\$11.00	\$10.25	\$10.25	\$13.84	\$15.83	\$18.11
3,4,5,or 6 Room House	\$18.00	\$16.83	\$16.83	\$22.83	\$26.00	\$29.74
More than 6 Rooms	\$24.00	\$22.28	\$22.28	\$30.08	\$34.40	\$39.34
Industrial Surcharges						
Suspended Solid (over 300 parts per million)	\$.079 per lb.	\$.074 per lb.	\$.074 per lb.	\$.120 per lb.	\$.120 per lb.	\$.120 per lb.
Biological Oxygen Demand (over 240 parts per million)	\$.073 per lb.	\$.069 per lb.	\$.069 per lb.	\$.210 per lb.	\$.210 per lb.	\$.210 per lb.
Total Kjeldahl Nitrogen (over 30 parts per million)	\$.064 per lb.	\$.059 per lb.	\$.059 per lb.	\$.804 per lb.	\$.804 per lb.	\$.804 per lb.

	May 1, 2003	May 1, 2004	April 1, 2005	April 1, 2006	April 1, 2007	April 1, 2008
Metered Water Usage (Rate Per HCF)						
0 – 8 HCF	\$2.30	\$2.30	\$2.30	\$2.65	\$3.18	\$3.82
9 – 50 HCF	\$2.17	\$2.17	\$2.17	\$2.50	\$3.00	\$3.60
51 – 250 HCF	\$1.95	\$1.95	\$1.95	\$2.24	\$2.69	\$3.23
251 – 1000 HCF	\$1.66	\$1.66	\$1.66	\$1.91	\$2.30	\$2.76
All Over 1000 HCF	\$1.51	\$1.51	\$1.51	\$1.74	\$2.09	\$2.51
Quarterly Min. Bill:	\$13.80	\$13.80	\$13.80	\$15.90	\$19.08	\$22.92
Unmetered Service Quarterly Rates						
1 or 2 Room House	\$20.71	\$20.71	\$20.71	\$23.82	\$28.59	\$34.31
3,4,5,or 6 Room House	\$34.01	\$34.01	\$34.01	\$39.11	\$46.94	\$56.33
More than 6 Rooms	\$44.99	\$44.99	\$44.99	\$51.74	\$62.09	\$74.51
Industrial Surcharges						
Suspended Solid (over 300 parts per million)	\$.120 per lb.	\$.120 per lb.	\$.120 per lb.	\$.138 per lb.	\$.115 per lb.	\$.138 per lb.
Biological Oxygen Demand (over 240 parts per million)	\$.210 per lb.	\$.210 per lb.	\$.210 per lb.	\$.231 per lb.	\$.274 per lb.	\$.329 per lb.
Total Kjeldahl Nitrogen (over 30 parts per million)	\$.804 per lb.	\$.804 per lb.	\$.804 per lb.	\$.925 per lb.	\$.771 per lb.	\$.925 per lb.

Sanitary Sewer Service Rates

Effective April 1, 2009 and implemented on July 1, 2009 Sanitary Sewer Customers are divided into either a residential or a non-residential class.

Sewer Service Charge – Residential Class

Effective July 1, 2019, customers of the residential class shall pay a Base Rate fee for the uses of and the services rendered by the sewage works which shall be charged by the District on a monthly basis or at such other periodic basis as determined by SD1 from time to time. The Base Rate includes the first two (2) HCF of winter water usage (per month).

Effective July 1, 2019, customers of the residential class shall pay an Environmental Surcharge for the costs associated with compliance with federal and state laws and regulations which shall be charged by the District on a monthly basis or at such other periodic basis as determined by SD1 from time to time. The Environmental Surcharge shall continue to be in effect until June 30, 2040 at which time the Environmental Surcharge shall expire and be terminated.

Effective July 1, 2019, customers of the residential class shall pay a Variable Rate for the uses of and the services rendered by the sewage works based upon winter water usage of water in excess of two (2) HCF (which is included in the monthly Base Rate) which shall be charged by the District on a monthly basis or at such other periodic basis as determined by SD1 from time to time.

- Effective July 1, 2019 through June 30, 2020, the winter water usage factor shall be calculated by using the average daily water usage, multiplied by thirty (30), and rounded to the nearest whole number. The average daily usage is determined by using either one (1) quarterly water meter reading occurring completely during the previous October 1 through March 31 period, or three (3) consecutive monthly water meter readings occurring completely during the previous November 1 through February 28 period. This winter water usage factor shall be used for billing the time frame beginning April 1 through June 30, 2020.
- Effective July 1, 2020, the winter water usage factor shall be calculated by using the average daily usage factor, multiplied by thirty (30), and rounded to the nearest whole number. The average daily usage is determined by using either one (1) quarterly water meter reading occurring completely during the previous December 1 through April 30 period, or three (3) consecutive monthly water meter readings occurring completely during the previous January 1 through April 30 period. This usage factor will be used for billing the time frame beginning July 1 through June 30 and reset annually.

New or existing customers where a usage factor has not or cannot be established will be billed at a factor of six hundred (600) cubic feet of water per month, until such factor has been established. Effective July 1, 2020, new or existing customers where a usage factor has not or cannot be established will be billed at a factor of five (5) HCF of water per month, until such factor has been established.

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Sewer Service Charge – Non-Residential Class

The sewer service charge for normal strength sewage is based on the water usage as measured by the public water supply meter or meters, and/or by any supplementary meter, meters, or other means as hereinafter provided. The basic sewer service charge shall be determined upon the metered flow and at rates as provided by SD1's fee schedule approved by resolution of the SD1 Board of Directors.

Sewer Rates July 1, 2009 to Present

Sewer Rates July 1, 2009 to 2020

	April 1, 2009	April 1, 2010	April 1, 2011	April 1, 2012
RESIDENTIAL:				
Metered Water Usage (Per HCF)				
Flat Rate Per HCF	\$4.40	\$5.06	\$5.82	\$6.69
Minimum Monthly Bill:	\$8.80	\$10.12	\$11.64	\$13.38
Unmetered Service (Monthly Rates)				
1 or 2 Room House	\$13.15	\$15.12	\$17.39	\$20.00
3,4,5,or 6 Room House	\$21.59	\$24.83	\$28.55	\$32.84
More than 6 Rooms	\$28.56	\$32.85	\$37.77	\$43.43
NON-RESIDENTIAL:				
Metered Water Usage (Per HCF)				
0 – 50 HCF	\$4.40	\$5.06	\$5.82	\$6.69
51 – 250 HCF	\$3.95	\$4.54	\$5.22	\$6.00
All over 250 HCF	\$3.05	\$3.51	\$4.04	\$4.65
Quarterly Minimum Bill:	\$26.40	\$30.36	\$34.92	\$40.14
Industrial Surcharges				
Suspended Solid (over 300 parts per million)	\$1.159 per lb.	\$1.183 per lb.	\$1.210 per lb.	\$1.242 per lb.
Biological Oxygen Demand (over 240 parts per million)	\$3.378 per lb.	\$4.435 per lb.	\$4.435 per lb.	\$4.435 per lb.
Total Kjeldahl Nitrogen (over 30 parts per million)	\$1.064 per lb.	\$1.223 per lb.	\$1.224 per lb.	\$1.224 per lb.

	April 1, 2013	July 1, 2014	July 1, 2015	July 1, 2016
RESIDENTIAL:				
Metered Water Usage (Per HCF)				
Flat Rate Per HCF	\$6.69	\$7.02	\$7.02	\$7.37
Minimum Monthly Bill:	\$13.38	\$14.04	\$14.04	\$14.74
Unmetered Service (Monthly Rates)				
1 or 2 Room House	\$20.00	\$21.00	\$21.00	\$22.05
3,4,5,or 6 Room House	\$32.84	\$34.48	\$34.48	\$36.20
More than 6 Rooms	\$43.43	\$45.60	\$45.60	\$47.88
NON-RESIDENTIAL:				
Metered Water Usage (Per HCF)				

0 – 50 HCF	\$6.69	\$7.02	\$7.02	\$7.37
51 – 250 HCF	\$6.00	\$6.30	\$6.30	\$6.61
All over 250 HCF	\$4.65	\$4.88	\$4.88	\$5.12
Quarterly Minimum Bill:	\$40.14	\$42.12	\$42.12	\$44.22
Industrial Surcharges				
Suspended Solid (over 300 parts per million)	\$.242 per lb.	\$.242 per lb.	\$.242 per lb.	\$.424 per lb.
Biological Oxygen Demand (over 240 parts per million)	\$.435 per lb.	\$.435 per lb.	\$.435 per lb.	\$.435 per lb.
Total Kjeldahl Nitrogen (over 30 parts per million)	\$1.224 per lb.	\$1.224 per lb.	\$1.224 per lb.	\$1.224 per lb.

	July 1, 2017	July 1, 2018
RESIDENTIAL:		
Metered Water Usage (Per HCF)		
Flat Rate Per HCF	\$7.73	\$8.11
Minimum Monthly Bill:	\$15.46	\$16.22
Unmetered Service (Monthly Rates)		
1 or 2 Room House	\$23.15	\$24.30
3,4,5,or 6 Room House	\$38.01	\$39.91
More than 6 Rooms	\$50.27	\$52.78
NON-RESIDENTIAL:		
Metered Water Usage (Per HCF)		
0 – 50 HCF	\$7.73	\$8.11
51 – 250 HCF	\$6.94	\$7.28
All over 250 HCF	\$5.37	\$5.63
Quarterly Minimum Bill:	\$46.38	\$48.66
Industrial Surcharges		
Suspended Solid (over 300 parts per million)	\$.242 per lb.	\$.242 per lb.
Biological Oxygen Demand (over 240 parts per million)	\$.435 per lb.	\$.435 per lb.
Total Kjeldahl Nitrogen (over 30 parts per million)	\$1.224 per lb.	\$1.224 per lb.

	July 1, 2019	July 1, 2020	July 1, 2021
RESIDENTIAL:			
Metered Winter Factor Water Usage			
Base Rate (Per Month)	\$16.00	\$19.00	\$23.00
Environmental Surcharge (Per Month)	\$5.00	\$6.00	\$7.00
Variable Rate Per HCF	\$7.25	\$6.05	\$5.24
Minimum Monthly Bill:	\$21.00	\$25.00	\$30.00
Unmetered Service (Monthly Rates)			
1 or 2 Room House	\$25.51	\$25.51	\$26.78
3,4,5,or 6 Room House	\$41.90	\$41.90	\$43.99
More than 6 Rooms	\$55.41	\$55.41	\$58.18

NON-RESIDENTIAL:			
Metered Water Usage (Per HCF)			
0 – 50 HCF	\$8.51	\$8.51	\$8.93
51 – 250 HCF	\$7.64	\$7.64	\$8.02
All over 250 HCF	\$5.91	\$5.91	\$6.20
Quarterly Minimum Bill:	\$51.06	\$51.06	\$53.58
Industrial Surcharges			
Suspended Solid (over 300 parts per million)	\$.242 per lb.	\$.242 per lb.	\$.242 per lb.
Biological Oxygen Demand (over 240 parts per million)	\$.435 per lb.	\$.435 per lb.	\$.435 per lb.
Total Kjeldahl Nitrogen (over 30 parts per million)	\$1.224 per lb.	\$1.224 per lb.	\$1.224 per lb.

Ten Largest Industrial/Commercial Users by Revenue in FY 2021

1. Lyons Magnus - Walton
2. Sara Lee Foods – Alexandria
3. Tastemaker – Florence Lyons Magnus - Walton
4. Taylor Farms Tennessee, Inc. (formerly Club Chef) – Covington
5. Environmental Services Inc. - Burlington
6. Wild Flavors, Inc. – Erlanger
7. St. Elizabeth Medical Center – Edgewood
8. Safran Landing Systems. KY
9. Kenton County Airport Board – Boone County
10. Global Supply Chain – Boone County

Capacity Connect Fees

Capacity Connections Fees	** FY 2021 Rates **		** FY 2022 Rates **	
	Approved Rates	Effective Date	Approved Rates	Effective Date
Water Meter Size				
¾ Inch	\$3,959	07/01/2019	\$4,156	07/01/2021
1 Inch	\$6,997	07/01/2019	\$7,346	07/01/2021
1.5 Inch	\$15,779	07/01/2019	\$16,567	07/01/2021
2 Inches	\$27,996	07/01/2019	\$29,395	07/01/2021
3 Inches	\$62,993	07/01/2019	\$66,142	07/01/2021
4 Inches	\$111,989	07/01/2019	\$117,588	07/01/2021
6 Inches	\$251,518	07/01/2019	\$264,093	07/01/2021
8 Inches	\$446,150	07/01/2019	\$468,457	07/01/2021

Capacity Connections Fees	** FY 2021 Rates **		** FY 2020 / 21 Rates **	
	Approved Rates	Effective Date	Approved Rates	Effective Date
Multi-Family Dwellings				
3 Units	\$3,959	07/01/2019	\$4,156	07/01/2021
4 – 5 Units	\$6,997	07/01/2019	\$7,346	07/01/2021
6 – 12 Units	\$15,779	07/01/2019	\$16,567	07/01/2021
13 – 20 Units	\$27,996	07/01/2019	\$29,395	07/01/2021
21 – 50 Units	\$62,993	07/01/2019	\$66,142	07/01/2021
51 – 115 Units	\$111,989	07/01/2019	\$117,588	07/01/2021
116 – 250 Units	\$251,518	07/01/2019	\$264,093	07/01/2021
251 – 500 Units	\$446,150	07/01/2019	\$468,457	07/01/2021
Over 500 Units	Must Discuss	w/ SD1	Must Discuss	w/ SD1

All other Sanitary Sewer Rates

All other rates and fees available upon request and may also be found on the SD1 website at <http://www.sd1.org/DocumentCenter/View/74/SD1-Rates-and-Fees-PDF>.

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SD1 STORM WATER FEES

A combination of storm water user fees and plan review and inspection fees pay for the cost of implementing the Regional Storm Water Management Program and the region's growing storm water system needs. SD1 uses an impervious area rate methodology as the basis for funding the regional storm water utility. The rate structure includes procedures for challenging fees and methods for non-residential properties to obtain credits to reduce their effective fee.

Residential Fees

Based on a statistical analysis of residential properties in Boone, Campbell and Kenton counties, it was determined that the average impervious area per property is 2,652 square feet. Based on this data, SD1 has designated an equivalent residential unit (ERU) equal to 2,600 square feet. All residential properties are charged a single flat monthly fee based on one ERU. Based on program costs, one ERU is \$4.54 as of July 1, 2021.

Non-Residential Fees

Non-residential property owners are billed a monthly or quarterly storm water user fee based on the total amount of impervious area on their property. Impervious areas include roofs, patios, walkways, sidewalks, driveways, parking lots and roadways. The impervious areas for the non-residential properties within the designated storm water service area were calculated using aerial photography and geographical imaging systems methods.

The non-residential property user fee is based on the number of ERUs that are represented by the impervious area of the property or \$4.54 (as of July 1, 2021) per 2,600 square feet of impervious area.

	May 1, 2003	May 1, 2004	April 1, 2005	April 1, 2006	April 1, 2007
RESIDENTIAL:					
Flat Rate Per Month	\$3.75	\$3.84	\$3.91	\$4.02	\$4.18
NON-RESIDENTIAL:					
Rate Per ERU Per Month	\$3.75	\$3.84	\$3.91	\$4.02	\$4.18
Rate Per ERU Per Quarter	\$11.25	\$11.52	\$11.73	\$12.06	\$12.54

	April 1, 2008	April 1, 2009	April 1, 2010	April 1, 2011	April 1, 2012
RESIDENTIAL:					
Flat Rate Per Month	\$4.30	\$4.47	\$4.44	\$4.54	\$4.68
NON-RESIDENTIAL:					
Rate Per ERU Per Month	\$4.30	\$4.47	\$4.44	\$4.54	\$4.68
Rate Per ERU Per Quarter	\$12.90	\$13.41	\$13.32	\$13.62	\$14.04

	April 1, 2013	July 1, 2014	July 1, 2016	July 1, 2017	July 1, 2018
RESIDENTIAL:					
Flat Rate Per Month	\$4.80	\$5.04	\$5.04	\$5.04	\$5.04
NON-RESIDENTIAL:					

Rate Per ERU Per Month	\$4.80	\$5.04	\$5.04	\$5.04	\$5.04
Rate Per ERU Per Quarter	\$14.40	\$15.12	\$15.12	\$15.12	\$15.12

	July 1, 2019	July 1, 2020	July 1, 2021
RESIDENTIAL:			
Flat Rate Per Month	\$5.04	\$5.04	\$4.54
NON-RESIDENTIAL:			
Rate Per ERU Per Month	\$5.04	\$5.04	\$4.54
Rate Per ERU Per Quarter	\$15.12	\$15.12	\$13.62

Exemptions

The only exceptions which are currently excluded from SD1 storm water fee are as follows: unimproved properties, publicly dedicated roadways and properties classified as agricultural by the PVA. "Although water quality problems also can occur from agricultural storm water discharges..., this area of concern is statutorily exempted from regulation as a point source under the Clean Water Act..." Federal Register/Vol. 64, No. 235, December 8, 1999. Additionally, in the Commonwealth of Kentucky, agricultural properties are required to prepare their own water quality plans pursuant to the Kentucky Agricultural Water Quality Act.

Additional Storm Water Fees

All other rates and fees available upon request and may also be found on the SD1 website at <http://www.sd1.org/DocumentCenter/View/74/SD1-Rates-and-Fees-PDF>.

Credits

SD1 has established a policy to provide credits against the storm water fees for non-residential and non-agricultural properties in an effort to provide equity and consistency in the application of the fee to individual properties. Credits can be granted for best management practices that address any combination of water quantity and/or water quality impact reductions.

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ENVIRONMENTAL COMPLIANCE AND QUALITY

Long-term Plan to Address Overflows

In October 2005, SD1 joined the ranks of wastewater utilities across the nation whose futures are guided by a consent decree to improve water quality. In May of 2019, the agreement was amended to, among other things, extend the deadline for compliance from 2025 to 2040.

SD1's amended consent decree, signed by the U.S. EPA, the Kentucky Energy and Environment Cabinet, the U.S. Department of Justice and SD1, requires a large investment over many years to address sewage overflows in Northern Kentucky.

Overflows from combined and separate sanitary sewer systems during heavy rainstorms are chronic problems throughout the United States, sending a mixture of storm water and raw sewage into local waterways. Overflows can occur when storm water inundates the collection system, overwhelming sewer lines and pump stations.

Combined sewer overflows (CSOs) once were an acceptable practice for managing excess flow during wet weather, but today they must comply with regulations set forth in the Clean Water Act. During the late 1990s, the U.S. EPA and Department of Justice began enforcing the Clean Water Act in cities across the United States, requiring them to address combined and separate sanitary sewer overflows.

The U.S. EPA has reached similar agreements with numerous municipal entities across the country, including the Metropolitan Sewer District of Greater Cincinnati in 2003 and the Louisville/Jefferson County Metropolitan Sewer District in early 2005.

Changes in Amended Consent Decree

Besides the extension of the overall deadline to 2040, there were a number of changes negotiated as part of the amended consent decree. Among those changes were the inclusion of definitive design storm standards, project flexibility and an agreement with regulators on the size and number of sewer overflows within the SD1 system.

A unique approach to measuring progress was also obtained through the negotiation process. Consent decrees across the nation have historically measured milestone compliance through the completion of a specific list of capital projects. SD1 was successful at convincing regulators that it could meet its obligations more efficiently and effectively if given the flexibility to use total volume mitigation as a milestone metric, rather than a rigid list of construction projects.

Under the amended consent decree, SD1 must eliminate all sanitary sewer overflows and recapture 85 percent of all combined sewer overflows by 2040. The parameters set in place through this process allows for the creation of a plan that is certain and achievable.

Updated Watershed Plan

SD1 submitted an Updated Watershed Plan for Northern Kentucky to regulators in May of 2020. The plan lays out cost-effective, innovative strategies to achieve overflow mitigation.

The plan lays out the framework for a new era of smart-sewer management in Northern Kentucky that will significantly reduce the cost of complying Clean Water Act regulations.

The plan begins with new equalization (EQ) tanks and pump stations in Highland Heights and Silver Grove that will eliminate about 20 million gallons of typical-year sanitary sewer overflows (SSOs) and do so at a price tag well below what traditional overflow mitigation would cost.

The goal of the plan is to make the sewer system smarter because, as Executive Director Adam Chaney says, “SD1 can no longer afford to simply build bigger and bigger pipes and wait for them to become overwhelmed by larger and larger storms.”

The first step toward smart sewers happens long before any work begins in the field. Working with one of its Updated Watershed Plan partners, Hazen and Sawyer, SD1 ran thousands of scenarios using artificial intelligence software to accurately predict what will happen throughout Northern Kentucky’s sewer system under various storm simulations. The results of that work provided a blueprint – which SD1 is calling Clean H2O40 – for the most effective and affordable approach to mitigating sewer overflows.

SD1 EQ tanks will ultimately use flow meter technology to signal the sewer system to store excess flow during storm events until downstream capacity is available. Once a storm has passed, the system will gradually release flow back into the pipes for transport to a treatment plant. This will minimize the risk of increased volume overwhelming the system and causing sewer overflows. It’s similar to how smart traffic lights work during rush hour. As more and more cars begin to congest the road, traffic lights can be used strategically to keep things moving.

SD1 will apply the same logic to Northern Kentucky’s sewer system, and during the life of the Watershed Plan will be moving toward system-wide coordination – storing flow in tanks, pipes and other structures across the region. This new strategy is anticipated to significantly lower project costs and associated revenue needs by hundreds of millions of dollars over the next 20 years. In addition to maintaining sewer rate affordability, the reduced overflow mitigation costs will allow SD1 to address system expansion required to support the local economy.

In total, this new approach is expected to reduce estimated long-term capital costs to achieve amended consent decree compliance by over \$700 million – a 53% reduction from the 2016 estimated cost of \$1.3 billion. This will make it possible for SD1 to mitigate system overflows, improve water quality and public health, and continue supporting the economic vitality of the region without over-burdening ratepayers.

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Key Benefits of the Amended Consent Decree

- Deadline for all projects extended by 14 years to January 1, 2040, reducing the financial impact to customers while ensuring progress on sewer overflow mitigation
- No immediate stipulated penalties for ongoing SSOs
- Favorable 2-year, 6-hour design storm criterion
- Retained discretion for stipulated penalties (“may impose...”)
- Switched to 10-year detailed project plans with option to substitute revised projects
- Clear recognition that SD1 may change direction on SSO and CSO compliance approaches

In exchange for the extension and these other changes, SD1 must demonstrate progress on SSO elimination and CSO controls at certain milestones (2023, 2029 and 2034).

Initial Watershed Projects

SD1 spent more than \$403 million to implement the initial watershed projects outlined in the original consent decree. These projects help address many of SD1’s sewer overflow issues.

Two of SD1's initial watershed projects included construction of the 4 mgd Eastern Regional Water Reclamation Facility and conveyance system in Campbell County and the 20 mgd Western Regional Water Reclamation Facility and conveyance system in Boone County. The cost of constructing these two new plants and the accompanying conveyance systems totaled \$363 million. The Eastern Regional Water Reclamation Facility began operating in 2007 and the Western Regional Water Reclamation Facility began operating in 2012.

Status of Eastern Regional Water Reclamation Facility

Construction of the Eastern Regional Water Reclamation Facility was completed in the fall of 2007. The facility currently treats about 1 million gallons of wastewater per day but has the capacity to treat 4 million gallons per day. It is located in the City of Alexandria in Campbell County, Ky. The plant incorporates state-of-the-art treatment processes including an equalization basin, oxidation ditch, ultraviolet disinfection and odor control. This advanced secondary treatment plant meets or exceeds all state regulatory permit parameters.

The facility allowed the lifting of a Commonwealth of Kentucky building moratorium that had been in effect in Campbell County for approximately 10 years.

Status of Western Regional Water Reclamation Facility

The Western Regional Water Reclamation Facility and Conveyance Tunnel represent the largest infrastructure investment SD1 has ever made – totaling approximately \$287 million. They reduce the amount of sanitary sewage overflowing from SD1's collection systems, provide flexibility for future capacity needs and help meet stringent regulatory requirements.

The Western Regional Water Reclamation Facility processes an average flow of about 8 million gallons of wastewater per day but has the capacity to treat about 20 million gallons per day. It features state-of-the-art ultraviolet light disinfection and conventional activated treatment technologies.

The Western Regional Conveyance Tunnel conveys flows to the new water reclamation facility. The 8.5 foot diameter tunnel begins at the location of SD1's previous Gunpowder Pump Station, which is located off Camp Ernst Road, and travels approximately 6 miles to the Western Regional Facility.

The Western Regional Water Reclamation Facility and Conveyance Tunnel were two key components of the first 5-year improvement plan outlined in SD1's initial watershed plans.

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APPENDIX B
DEMOGRAPHIC INFORMATION

NORTHERN KENTUCKY

The Northern Kentucky Area, covering a total land area of 559 square miles, is composed of Boone, Campbell, and Kenton Counties; and is ideally situated along and adjacent to the south bank of the Ohio River, immediately south of Cincinnati, Ohio. These three counties are a part of the Cincinnati Metropolitan Statistical Area, which had a 2020 population of 394,269.

The Northern Kentucky Area forms the northern apex of an industrial triangle anchored by Louisville on the southwest and Lexington on the southeast. Within the triangle is more than one-third of the state's population and nearly one-half of its manufacturing jobs. The interstate highway system places these three metropolitan areas within less than two hours driving from each other.

The Economic Framework

The Northern Kentucky market area includes Boone, Campbell and Kenton Counties, as well as the adjoining Kentucky counties of Gallatin, Grant and Pendleton. The market area also includes the Ohio counties of Hamilton and Clermont and the Indiana counties of Ripley, Ohio and Dearborn. The County is part of the greater Cincinnati CMSA, which is composed of 13 counties in Kentucky, Ohio, and Indiana.

The Greater Cincinnati region is known as a major center for transportation, medical services, wholesaling, manufacturing, retailing, insurance/financial services, government installations and service industries. Of particular note is the Greater Cincinnati/Northern Kentucky International Airport (CVG) with nearly 176 daily departures and non-stop flights to more than 53 destinations (Source: Cincinnati Northern Kentucky International Airport 2019 Fact Sheet). CVG is operated by the Kenton County Airport Board, a political subdivision of the Commonwealth of Kentucky. The Board was created in 1943 as a corporation pursuant to a resolution adopted by the Fiscal Court of the County.

Labor Supply

For 2020, the current U.S. Department of Labor, Bureau of Labor Statistics, estimates a labor force of 204,674 for the Labor Market Area. See "LABOR MARKET STATISTICS" below.

Transportation

Major highways serving Boone, Campbell, and Kenton Counties include Interstates 71, 75, 275, and 471; U.S. Highways 42/127, 25, and 27. The Greater Cincinnati-Northern Kentucky International Airport, located in Boone County, Kentucky, provides commercial airline service. The airport is a major hub for Delta Airlines. The Southern Railway System and CSX Transportation provide main line rail service to the area. Several barge and towing companies provide barge transportation on the Ohio River. The Port of Cincinnati extends 30 miles along both banks of the Ohio River.

Power and Fuel

Electric power is provided to Boone, Campbell, and Kenton Counties by Duke Energy, East Kentucky Power Cooperative, Owen County Rural Electric Cooperative Corporation and Kentucky Utilities. Additionally, Duke Energy provides natural gas service to major portions of the three-county area.

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Education

Primary and secondary education is provided by the Boone, Campbell, and Kenton County Public School Systems; eleven independent school systems; and 38 nonpublic schools within the three-county area. Three universities and six senior colleges are located in the Northern Kentucky-Cincinnati Area. Northern Kentucky University and Thomas More Colleges are located in Northern Kentucky. Vocational-technical training is available at two state vocational-technical schools, three area vocational education centers, and a health occupations center; all located in Boone, Campbell, and Kenton Counties. See "EDUCATION" below.

LABOR MARKET STATISTICS

Population

Description	-----Estimate Year-----				
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Northern Kentucky	387,739	391,521	391,239	391,424	394,269

Source: Kentucky Cabinet for Economic Development

Population Projections

Description	-----Estimate Year-----			
	<u>2020</u>	<u>2025</u>	<u>2030</u>	<u>2035</u>
Campbell County	92,898	93,427	93,473	93,028
Boone County	139,018	150,928	163,722	177,141
<u>Kenton County</u>	<u>169,386</u>	<u>173,041</u>	<u>176,039</u>	<u>178,392</u>

Source: Kentucky State Data Center, University of Louisville and Kentucky Cabinet for Economic Development.

Population by Selected Age Groups, 2020

Northern KY Labor Market Area		
<u>Age</u>	<u>Number</u>	<u>Percent</u>
Under 19	103,084	25.7
20-29	51,482	12.9
30-39	54,930	13.7
40-49	49,567	12.4
50-59	52,364	13.1
60-64	26,016	6.5
65 and older	63,057	15.7
Median Age	37.294	0.01

Source: Kentucky Cabinet for Economic Development

Per Capita Personal Income

	<u>2015-2019</u>
Boone County	\$35,991
Campbell County	34,025
Kenton County	33,330
Kentucky	28,178
United States	34,103

Source: U.S. Census Bureau.

Households

	<u>2020</u>	
	<u>Median Household Income</u>	<u>Median Household Expenditure</u>
Boone County	\$80,012	\$69,890
Campbell County	65,059	62,942
Kenton County	67,576	63,855

Source: Kentucky Cabinet for Economic Development

Civilian Labor Force

	<u>Northern Kentucky</u>	
	<u>2020</u>	<u>August 2021</u>
Civilian Labor Force	234,614	239,664
Employed	223,706	231,860
Unemployed	10,908	7,804
Unemployment Rate(%)	4.6	3.3

Source: Kentucky Center for Statistics

Unemployment Rate (%)

<u>Year</u>	<u>Labor Market Area</u>	<u>Kentucky</u>	<u>U.S.</u>
2016	4.0	5.0	4.9
2017	3.9	4.8	4.4
2018	3.4	4.2	3.9
2019	3.4	4.1	3.7
2020	5.7	6.6	8.1

Source: U.S. Department of Labor, Bureau of Labor Statistics.

EDUCATION

Public Schools

	<u>2019-2020 Enrollment</u>	<u>Pupil To Teacher Ratio</u>
Beechwood Independent Schools	1,448	18.0
Bellevue Independent Schools	599	16.0
Boone County Schools	20,392	16.0
Campbell County Schools	4,973	16.0
Covington Independent Schools	3,655	15.0
Dayton Independent Schools	925	16.0
Erlanger-Elsmere Independent Schools	2,414	16.0
Ft. Thomas Independent Schools	3,097	17.0
Kenton County Schools	14,025	18.0
Ludlow Independent Schools	793	16.0
Newport Independent Schools	1,359	10.0
Southgate Independent Schools	180	14.0
Walton-Verona Schools	1,754	17.0

Source: Kentucky Department of Education, Office of Curriculum, Assessment and Accountability

Vocational Training

<u>Vocational Schools</u>	<u>Location</u>	<u>2019-2020 Cumulative Enrollment</u>
Boone County ATC	Hebron	215
Kenton County Academies of Innovation and Tech	Fort Mitchell	508
Campbell County ATC	Alexandria	382
Carroll County ATC	Carrollton	464
Harrison County ATC	Cynthiana	478
Mason County ATC	Maysville	219

Source: Kentucky Cabinet for Workforce Development; Kentucky Community and Technical College System; Kentucky Department of Education.

Bluegrass State Skills Corporation

The Bluegrass State Skills Corporation, an independent public corporation created and funded by the Kentucky General Assembly, provides programs of skills training to meet the needs of business and industry from entry level to advanced training, and from upgrading present employees to retraining experienced workers.

The Bluegrass State Skills Corporation is the primary source for skills training assistance for a new or existing company. The Corporation works in partnership with other employment and job training resources and programs, as well as Kentucky's economic development activities, to package a program customized to meet the specific needs of a company.

Colleges and Universities

<u>Institution</u>	<u>Location</u>	<u>Fall 2020 Enrollment</u>
Thomas More College	Crestview Hills, KY	2,238
Northern Kentucky University	Highland Heights, KY	15,678
University of Cincinnati	Cincinnati, OH	25,973
Athenaeum of Ohio	Cincinnati, OH	51
Cincinnati Christian University	Cincinnati, OH	776
College of Mt. St. Joseph	Cincinnati, OH	1,450
Xavier University	Cincinnati, OH	5,047
Gateway Community & Technical College	Florence, KY	4,764
Maysville Community & Technical College	Maysville, KY	3,890
University of Dayton	Dayton, OH	8,483
Miami University, Oxford Campus	Oxford, OH	17,246
Hanover College	Hanover, IN	1,070

Source: Kentucky Cabinet for Economic Development

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LARGEST EMPLOYERS IN NORTHERN KENTUCKY

Firm	Product	Total Employed
<i>Covington</i>		
Atkins & Pearce Inc	Fishline, candlewick, electrical sleeving, threads, cables/cords, hoses, medical/military apps, agriculture, mining/drilling apps, automotive, alternative energy/power gen. apps, coatings	230
Clinical Trial Services Inc	HQ for therapeutic services to the pharmaceutical and biotechnology industry	254
Club Chef LLC	Processor of fresh cut produce	525
Fidelity Investments	Financial services that support Fidelity's core mutual fund, brokerage and retirement operations.	4,500
R A Jones & Co Inc	Specialty packaging machinery, equipment and display packaging services.	265
<i>Crestview Hills</i>		
Green Sky LLC	Financial Services	250
<i>Erlanger</i>		
Convergys	Customer care and technical support call center	420
Signature Hardware	Mail order distribution headquarters	218
Toyota Boshoku America Inc	Corporate headquarters	360
United Dairy Farmers	Manufacture of ice; third party refrigerated and frozen warehouse and distribution services.	110
Wild Flavors Inc	Headquarters, administration, research and development, pilot plants, manufacturing and ADM Global IT Service Center	506
<i>Florence</i>		
Balluff Inc	Electronic sensors for industrial automation	180
Krauss-Maffei Corp	Reaction process, extruding & injection molding	243
L'Oreal USA	Manufacturer of hair & skin care products	308
Mazak Corporation	Machine tools	676
Regal Power Transmission Solutions	Distribution, warehouse and manufacture conveying products by extruding, molding and milling	425
Rotek Incorporated	Roller bearings, slewing rings-large diameter	120
Signode	Plastic strapping stretch film & application equipment. Plastic recycling from bottles	105
<i>Independence</i>		
Cengage Learning Distribution Center	Book distribution center	800

Source: Kentucky Cabinet for Economic Development (12/10/2019)

APPENDIX C

THE SERIES 2021 BONDS AND OUTSTANDING BONDS

THE SERIES 2021 BONDS AND OUTSTANDING BONDS

Series 2021A Bonds Debt Service

The following table shows the projected Series 2021 Bond debt service shown by each fiscal year ending June 30.

FY Ending <u>June 30</u>	<u>Principal*</u>	<u>Interest</u>	<u>Total</u>
2022	\$0	\$396,279	\$396,279
2023	425,000	1,868,613	2,293,613
2024	450,000	1,851,113	2,301,113
2025	470,000	1,832,713	2,302,713
2026	490,000	1,813,513	2,303,513
2027	515,000	1,793,413	2,308,413
2028	380,000	1,775,513	2,155,513
2029	2,000,000	1,727,913	3,727,913
2030	2,085,000	1,656,638	3,741,638
2031	2,145,000	1,593,188	3,738,188
2032	2,210,000	1,527,863	3,737,863
2033	2,275,000	1,460,588	3,735,588
2034	2,345,000	1,403,013	3,748,013
2035	2,390,000	1,343,713	3,733,713
2036	2,460,000	1,270,963	3,730,963
2037	2,535,000	1,196,038	3,731,038
2038	2,610,000	1,118,863	3,728,863
2039	2,690,000	1,039,363	3,729,363
2040	2,770,000	968,543	3,738,543
2041	2,835,000	906,179	3,741,179
2042	2,895,000	840,993	3,735,993
2043	2,965,000	773,603	3,738,603
2044	3,030,000	704,660	3,734,660
2045	3,100,000	632,615	3,732,615
2046	3,175,000	557,315	3,732,315
2047	3,250,000	479,403	3,729,403
2048	3,330,000	398,798	3,728,798
2049	3,415,000	315,318	3,730,318
2050	3,500,000	228,880	3,728,880
2051	3,585,000	139,421	3,724,421
2052	3,675,000	46,856	3,721,856
Total	\$70,000,000	\$33,661,873	\$103,661,873

*Estimated -- all figures rounded to nearest dollar

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Series 2021B Bonds Debt Service

The following table shows the projected Series 2021 Bond debt service shown by each fiscal year ending June 30.

FY Ending <u>June 30</u>	<u>Principal*</u>	<u>Interest</u>	<u>Total</u>
2022	\$1,065,000	\$102,558	\$1,167,558
2023	1,655,000	410,100	2,065,100
2024	1,720,000	342,600	2,062,600
2025	1,785,000	272,500	2,057,500
2026	1,855,000	199,700	2,054,700
2027	1,925,000	124,100	2,049,100
2028	2,140,000	42,800	2,182,800
Total	\$12,145,000	\$1,494,358	\$13,639,358

*Estimated -- all figures rounded to nearest dollar

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Total Long Term Debt Service

The following table shows the current gross debt service representing the Prior Obligations that are currently outstanding, assuming refunding of the Prior Obligations and the total debt service of all the outstanding bonds following the sale and delivery of the Series 2021 Bonds.

FY Ending June 30	Series 2016-REF Bonds	Series 2019-REF Bonds	Series 2020-REF Bonds	DRAFT 2021A New Money Bonds	DRAFT 2021B-REF Bonds	Total Debt Service
2022	\$8,731,206	\$8,151,819	\$3,721,475	\$396,279	\$1,167,558	\$22,168,337
2023	\$8,735,331	\$8,146,319	\$3,716,725	\$1,868,613	\$2,065,100	\$24,532,088
2024	\$8,733,081	\$8,143,944	\$3,717,725	\$1,851,113	\$2,062,600	\$24,508,463
2025	\$8,733,956	\$6,374,319	\$5,483,850	\$1,832,713	\$2,057,500	\$24,482,338
2026	\$8,732,331	\$6,364,319	\$5,502,100	\$1,813,513	\$2,054,700	\$24,466,963
2027	\$8,727,706	\$6,365,319	\$5,504,975	\$1,793,413	\$2,049,100	\$24,440,513
2028	\$8,729,331	\$6,356,819	\$5,531,725	\$1,775,513	\$2,182,800	\$24,576,188
2029	\$8,726,456	\$6,353,444	\$5,531,850	\$1,727,913		\$22,339,663
2030	\$8,723,456	\$6,342,594	\$5,530,200	\$1,656,638		\$22,252,888
2031	\$8,728,781	\$6,335,894	\$5,524,200	\$1,593,188		\$22,182,063
2032	\$8,719,881	\$6,331,994	\$5,528,950	\$1,527,863		\$22,108,688
2033	\$8,558,281	\$6,320,694	\$2,526,950	\$1,460,588		\$18,866,513
2034	\$8,565,881	\$6,317,700	\$2,523,850	\$1,403,013		\$18,810,444
2035	\$8,563,081	\$6,308,506	\$2,519,950	\$1,343,713		\$18,735,250
2036	\$8,562,081	\$6,302,291	\$2,510,300	\$1,270,963		\$18,645,634
2037	\$8,563,381	\$6,293,050	\$2,509,850	\$1,196,038		\$18,562,319
2038	\$4,656,641	\$6,286,763	\$2,503,550	\$1,118,863		\$14,565,816
2039		\$6,275,975	\$2,496,450	\$1,039,363		\$9,811,788
2040		\$6,265,975	\$2,493,500	\$968,543		\$9,728,018
2041		\$3,034,850	\$2,489,650	\$906,179		\$6,430,679
2042				\$840,993		\$840,993
2043				\$773,603		\$773,603
2044				\$704,660		\$704,660
2045				\$632,615		\$632,615
2046				\$557,315		\$557,315
2047				\$479,403		\$479,403
2048				\$398,798		\$398,798
2049				\$315,318		\$315,318
2050				\$228,880		\$228,880
2051				\$139,421		\$139,421
2052				\$46,856		\$46,856
Totals:	\$143,490,866	\$128,672,585	\$77,867,825	\$33,661,873	\$13,639,358	\$397,332,506

Notes: Figures for FY 2022 are outstanding debt service as of 9/1/21.

Principal Outstanding

The following table shows the amortization of principal for each of the outstanding series of bonds including the Series 2021, assuming the refunding of the Prior Obligations, and the total principal outstanding for all the outstanding bonds following the delivery of the Series 2021 Bonds.

FY Ending June 30	Series 2016 Bonds	Series 2019 Bonds	Series 2020 Bonds	<i>DRAFT</i> <i>2021A New</i> <i>Money Bonds</i>	<i>DRAFT</i> <i>2021B-REF</i> <i>Bonds</i>	Outstanding Principal	Debt Retirement (10 Years)
2022	\$4,305,000	\$4,595,000	\$1,655,000	\$0	\$1,065,000	\$331,430,000	48.81%
2023	\$4,530,000	\$4,825,000	\$1,735,000	\$425,000	\$1,655,000	\$318,260,000	51.88%
2024	\$4,760,000	\$5,070,000	\$1,825,000	\$450,000	\$1,720,000	\$304,435,000	55.29%
2025	\$5,005,000	\$3,515,000	\$3,730,000	\$470,000	\$1,785,000	\$289,930,000	59.10%
2026	\$5,260,000	\$3,685,000	\$3,940,000	\$490,000	\$1,855,000	\$274,700,000	63.43%
2027	\$5,525,000	\$3,875,000	\$4,145,000	\$515,000	\$1,925,000	\$258,715,000	68.40%
2028	\$5,810,000	\$4,065,000	\$4,385,000	\$380,000	\$2,140,000	\$241,935,000	72.53%
2029	\$6,105,000	\$4,270,000	\$4,610,000	\$2,000,000		\$224,950,000	75.33%
2030	\$6,415,000	\$4,455,000	\$4,820,000	\$2,085,000		\$207,175,000	78.66%
2031	\$6,715,000	\$4,630,000	\$4,960,000	\$2,145,000		\$188,725,000	80.97%
2032	\$6,980,000	\$4,815,000	\$5,065,000	\$2,210,000		\$169,655,000	80.53%
2033	\$7,100,000	\$5,000,000	\$2,135,000	\$2,275,000		\$153,145,000	80.37%
2034	\$7,360,000	\$5,155,000	\$2,175,000	\$2,345,000		\$136,110,000	80.14%
2035	\$7,620,000	\$5,310,000	\$2,215,000	\$2,390,000		\$118,575,000	79.82%
2036	\$7,930,000	\$5,475,000	\$2,250,000	\$2,460,000		\$100,460,000	79.34%
2037	\$8,255,000	\$5,615,000	\$2,295,000	\$2,535,000		\$81,760,000	78.59%
2038	\$4,585,000	\$5,765,000	\$2,335,000	\$2,610,000		\$66,465,000	78.67%
2039		\$5,915,000	\$2,375,000	\$2,690,000		\$55,485,000	80.61%
2040		\$6,085,000	\$2,420,000	\$2,770,000		\$44,210,000	83.58%
2041		\$2,990,000	\$2,465,000	\$2,835,000		\$35,920,000	89.77%
2042				\$2,895,000		\$33,025,000	100.00%
2043				\$2,965,000		\$30,060,000	
2044				\$3,030,000		\$27,030,000	
2045				\$3,100,000		\$23,930,000	
2046				\$3,175,000		\$20,755,000	
2047				\$3,250,000		\$17,505,000	
2048				\$3,330,000		\$14,175,000	
2049				\$3,415,000		\$10,760,000	
2050				\$3,500,000		\$7,260,000	
2051				\$3,585,000		\$3,675,000	
2052				\$3,675,000		\$0	
Totals:	\$104,260,000	\$95,110,000	\$61,535,000	\$70,000,000	\$12,145,000	---	---

Kentucky Infrastructure Authority Loans

The District has entered into various Assistance Agreements with the Kentucky Infrastructure Authority (KIA), a government agency and instrumentality of the Commonwealth of Kentucky since 2004. Under the Assistance Agreement, the KIA has made loans to the District for various System improvements. All KIA loans have a 20-year term upon completion of the related project. The outstanding Assistance Agreements are summarized in the following table:

Note Series	Amount Outstanding	Final Maturity
Loan #A04-09 Eastern Regional WRF*	\$12,677,516	12/01/27
Loan #A08-04 Western Regional WRF	\$43,291,317	06/01/33
Loan #A09-04 Dry Creek Clarifier Project	\$2,828,237	12/01/31
Loan #A09-05 Sunnybrook Sewer Project	\$2,864,465	12/01/30
Loan #A09-06 South Fork Gunpowder	\$8,239,457	06/01/33
Loan #A09-07 Frogtown Interceptor Project	\$2,944,787	12/01/32
Loan #A09-08 Turkeyfoot Industrial RD FM	\$1,390,583	06/01/33
Loan #A09-09 Narrows RD. Diversion PS	\$5,220,562	06/01/33
Loan #A10-11 Dry Creek Headworks Project	\$11,100,724	06/01/34
Loan #A11-13 Lakeview, Kentucky Aire & Church St Projects	\$9,670,174	12/01/38
Loan #A12-02 Wolpert Force Main	\$530,702	12/01/32
Loan #A15-103 Patton & Eighth St. Wet Well Projects	\$1,675,743	06/01/36
Loan #A11-14 Lakeside Park & Vernon Lane Projects	\$3,663,288	06/01/39
Total:		\$106,097,554

*Project to be refinanced.

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Debt Coverage

The table on the following page shows the total system revenues less applicable operating expenses used to compute the debt coverage for all the Outstanding Bonds of the District. Fiscal Year 2016 through 2020 is based on audited revenues and expenses of the District.

	ACTUAL 2016	ACTUAL 2017	ACTUAL 2018	ACTUAL 2019	ACTUAL 2020	Unaudited 2021	Budget 2022
System Revenues							
Sewer Service Charges	\$75,730,322	\$79,746,166	\$84,312,915	\$88,772,462	\$93,494,060	\$91,179,986	\$95,798,000
Storm Water Charges	12,745,499	12,965,299	13,118,077	13,604,462	13,647,164	13,463,003	11,070,000
Other Operating Revenue	5,959,258	6,264,538	5,845,264	6,640,657	6,246,352	7,871,861	7,179,500
Total Operating Revenues	94,435,079	98,976,003	103,276,256	109,017,581	113,387,576	112,514,851	114,047,500
Federal Bond Rebate Credits	3,406,317	3,353,778	3,303,372	3,251,747	1,512,972	332,131	0
Unrestricted Interest Income	906,611	1,264,451	1,777,381	2,917,957	2,574,891	1,441,418	1,455,000
Total System Revenues	98,748,007	103,594,232	108,357,009	115,187,285	117,475,439	114,288,399	115,502,500
Operating Expenses							
Total O&M Expenses	38,588,567	39,976,208	38,870,649	38,700,426	39,449,029	39,847,387	43,090,957
Major Repairs and Other Expenses	1,720,103	876,520	429,175	1,814,545	2,033,349	881,199	1,000,000
Depreciation	39,578,854	39,618,114	39,965,919	40,317,009	40,869,031	40,739,663	40,650,000
Total Operating Expenses	79,887,524	80,470,842	79,265,743	80,831,980	82,351,408	81,468,248	84,740,957
Net Revenues	18,860,483	23,123,390	29,091,266	34,355,305	35,124,031	32,820,151	30,761,543
Add Back Depreciation	39,578,854	39,618,114	39,965,919	40,317,009	40,869,031	40,739,663	40,650,000
Adjusted Net Revenues for Covenant Tests	\$58,439,337	\$62,741,504	\$69,057,185	\$74,672,314	\$75,993,061	\$73,559,814	\$71,411,543
Senior Debt – Maximum Annual Principal and Interest							
KIA Loan Current Principal and Interest	\$30,369,068	\$28,650,967	\$28,650,967	\$28,579,823	\$23,953,654	\$21,248,742	\$24,963,911
All Bonds – Maximum Annual Principal and Interest	\$9,972,069	\$10,091,516	\$10,096,524	\$10,352,262	\$10,730,348	\$11,809,173	\$8,407,236
Coverage Ratio – Required for Senior Debt	125%	125%	125%	125%	125%	125%	125%
Senior Debt Coverage Ratio - Calculated	192%	219%	241%	261%	317%	346%	286%
All Debt Coverage Ratio - Calculated	145%	162%	178%	192%	219%	223%	214%

Notes: Budget Debt Coverage for Senior debt including projected Series 2021A/B for FY 2022 is 347% and 229% for all debt
Source: SD1 Audits, Financial Advisor and District Staff

APPENDIX D

FINANCIAL STATEMENTS OF THE DISTRICT

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



859-578-7450
www.SD1.org



2019-2020 Comprehensive Annual Financial Report

For the Fiscal Years Ended June 30, 2020 and 2019

SANITATION DISTRICT NO. 1

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

Comprehensive Annual Financial Report



Prepared By:

Sanitation District No. 1

1045 Eaton Drive
Fort Wright, KY

Finance Department

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

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INTRODUCTORY SECTION



December 8, 2020

To the Citizens Served by Sanitation District No. 1 (SD1) and to SD1's Board of Directors: SD1 and its Finance Department are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2020. This report follows guidelines set forth by the Government Accounting Standards Board and Generally Accepted Accounting Principles (GAAP).

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

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

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

Profile of SD1

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

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

In Fiscal Year 2020, SD1 served a sanitary sewer customer base of 108,382 accounts and a storm water customer base of 97,859 accounts. SD1's sanitary sewer customer base has experienced a 0.917 percent average annual growth rate over the past five years, while SD1's storm water customer base has experienced a 0.835 percent average annual growth rate over the past five years even with the reduction of the storm water boundary that occurred in 2018.

SD1 is governed by a citizen Board of Directors, consisting of eight members that serve four-year staggered terms. County representation is based on the populations of the three counties SD1 serves. Four Board members are appointed by the Kenton County Judge Executive with the Kenton County Fiscal Court's approval, as Kenton County is the most populous county in SD1's service area. Two are appointed by the Campbell County Judge Executive with the Campbell County Fiscal Court's approval, and two are appointed by the Boone County Judge Executive with the Boone County Fiscal Court's approval. SD1's Board was given the full power and authority granted by Kentucky State Statute Chapter 220 and other applicable laws in administering, controlling and managing the affairs of SD1, including the budgeting process. The Board and County Judges Executive, who appoint the members, are required to review and give final approval of SD1's operating and capital budgets by July 1 of the year to which they apply.

Local Economy

SD1 is located in Northern Kentucky, across the Ohio River from the City of Cincinnati, and is classified as belonging to the Cincinnati Metropolitan Statistical Area (MSA). Per the U.S. 2019 Census estimates, Northern Kentucky's population was 394,163. SD1 derives strength from the area's diverse economic base of manufacturing, entertainment, retail and commercial facilities. The local economy also benefits from its proximity to Cincinnati and includes the Greater Cincinnati International Airport.

According to the Northern Kentucky Tri-County Economic Development Corporation, Northern Kentucky is a key part of the 15-county Greater Cincinnati metropolitan area. Partnerships, collaboration and innovation have been critical elements for the Northern Kentucky region's success and competitiveness. As with all communities across the nation, the coronavirus disease 2019 (COVID-19) has had an impact on the local economy and there is still much uncertainty of the long term effects. The Cincinnati MSA unemployment rate had been on a declining trend for the past nine years up until March 2020 which was a result of Covid-19 and the subsequent shelter-in-place and stay-at-homes orders. The Cincinnati MSA unemployment rate increased from a low of 3.3 percent in December 2019 to a high of 14.1 percent in April 2020. However, at the end of June 2020, the regional unemployment rate dropped to 9.0 percent which is still below the national unemployment rate of 11.1 percent.

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

Long-Term Financial Planning

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

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

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

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

Relevant Financial Policies

In April 1998, SD1's Board of Directors established and approved a trust indenture to assure a strong financial position and to protect SD1's revenue bond rating during periods of fiscal stress. The trust indenture requires SD1 to maintain a rate covenant such that net revenues will cover annual bond debt service of at least 1.25 times; a debt service reserve fund requirement equivalent to maximum annual debt service that is fully cash funded; an Operation and Maintenance fund requirement equivalent to three months of operating expenses; and a self-insurance fund requirement of maintaining a minimum of \$5 million for the payment of liability claims against SD1.

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

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

Major Initiatives

As part of SD1's Strategic Business Plan, the District has developed a culture of continuous improvement, working across the organization to maximize efficiency and eliminate waste by enhancing communication and collaboration. The Lean SD1 commitment to process improvement ensures that the entire staff is working as efficiently and effectively as possible toward the SD1 mission of protecting public health, property and the environment while supporting the economic vitality of the community.

Some major initiatives over the past year that align with the goals outlined in our strategic business plan include implementing a smart-sewer management approach to overflow mitigation, launching a new website that makes it easier than ever for customers to engage with SD1 and nimbly adapting all facets of its business operations to adapt to the disruptions created by the global COVID-19 pandemic.

Smart-Sewer Management

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

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

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

Enhanced SD1 Website

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

Some of the highlights of the new site include:

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

COVID-19 Response

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

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

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

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

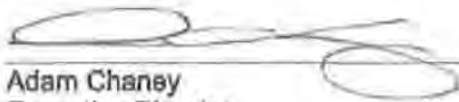
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to SD1 for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2019. This was the seventh consecutive year SD1 has received this prestigious award. In order to be awarded a Certificate of Achievement, SD1 published an easily readable and efficiently organized comprehensive annual financial report. The report satisfied both generally accepted accounting principles and applicable legal requirements.

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

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Finance Department. We wish to thank all SD1 departments for their assistance in providing the data necessary to prepare this report. Credit also is due to the Board of Directors for their unfailing support for maintaining the highest standards of professionalism in the management of SD1's finances.

Respectfully Submitted,



Adam Chaney
Executive Director



Ron Schmitt, Jr.
Director of Finance

SANITATION DISTRICT NO. 1
BOARD OF DIRECTORS

(As of June 30, 2020)

Bob Schroder, President
Kenton County

Dolf Allesch, Vice President
Boone County

Robert Horine, Treasurer
Campbell County

Russ Horsley, Secretary
Kenton County

Rick Wessels, Director
Kenton County

Bob Boswell, Director
Boone County

Joe Bessler, Director
Kenton County

Jack Scott, Director
Campbell County



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Sanitation District No. 1
Kentucky**

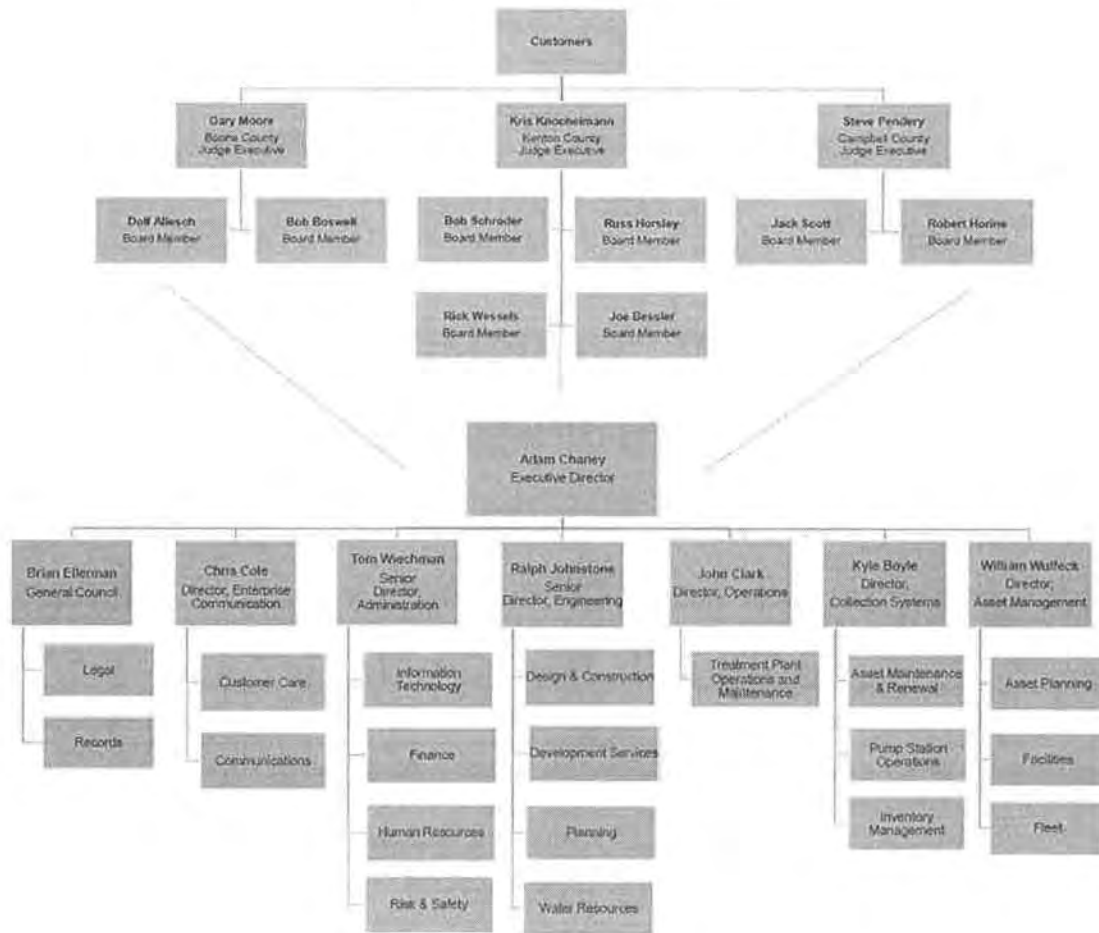
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morrill

Executive Director/CEO

**SANITATION DISTRICT NO. 1
ORGANIZATION CHART**
as of June 30, 2020



FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Sanitation District No. 1 (SD1) as of and for the years ended June 30, 2020 and June 30, 2019, and the related notes to the financial statements, which collectively comprise SD1's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Sanitation District No. 1 as of June 30, 2020 and June 30, 2019, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (on pages 12 – 20), schedule of SD1's proportionate share of the net pension liability and schedule of SD1's pension contributions (on pages 67 – 68), and the schedule of SD1's proportionate share of the net OPEB liability and schedule of SD1's OPEB contributions (on pages 69 – 70), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 8, 2020, on our consideration of the SD1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SD1's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the SD1's internal control over financial reporting and compliance.

VonLehman & Company Inc.

Fort Wright, Kentucky
December 8, 2020

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

The following is a narrative overview and analysis of the financial activities of Sanitation District No. 1 for fiscal year ended June 30, 2020 and 2019. The information below should be considered in conjunction with additional information that was furnished in the letter of transmittal and the audited financial statements that follow this section.

2020 Financial Highlights

- SD1's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$796.4 million (*net position*). Of this amount, \$72.7 million represents unrestricted net position.
- Net investment in capital assets increased \$14.0 million to \$644.3 million.
- Operating revenues increased by \$4.3 million to \$113.3 million.
- Operating expenses excluding depreciation and major repairs and other increased by \$748,000 to \$39.4 million.
- SD1's total outstanding debt decreased by \$19.7 million or 4.57%.

2019 Financial Highlights

- SD1's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$768.6 million (*net position*). Of this amount, \$54.7 million represents unrestricted net position.
- Net investment in capital assets increased \$12.4 million to \$630.3 million.
- Operating revenues increased by \$5.7 million to \$109.0 million.
- Operating expenses excluding depreciation and major repairs and other decreased by \$170,000 to \$38.7 million.
- SD1's total outstanding debt decreased by \$22.7 million or 4.99%.

Overview of the Financial Statements

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

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

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

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

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

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in SD1's basic financial statements. The notes to the financial statements can be found on pages 31 – 66 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information concerning budgetary comparisons. Other supplementary information can be found on pages 71 – 90 of this report.

Basis of Accounting

SD1's financial statements are prepared using the accrual basis of accounting.

Overview of Annual Financial Report

Table 1 provides a summary of SD1's net position for 2020 compared to 2019 and 2018.

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

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

Total assets increased \$9.1 million in 2020 and \$7.1 million in 2019. Although current assets increased \$19.9 million in 2020 and \$18.2 million in 2019 primarily due to an increase in unrestricted cash; noncurrent assets decreased \$10.7 million in 2020 and almost \$11.1 million in 2019. The decrease for both years can be attributed primarily to accumulated depreciation on existing assets increasing more than the amount being invested in new capital improvement projects each year. In addition, restricted investments decreased in 2020 due to a reduction in the required amount of debt service reserve funds being held which was a result of a bond refunding that lowered the maximum annual debt service requirement pursuant to SD1's Trust Indenture.

Deferred outflow of resources increased \$2.0 million in 2020 and decreased \$4.7 million in 2019. The majority of the change in both years was the result of revisions in the actuarial assumptions used in the calculations related to the pension and OPEB liabilities each year.

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

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

Total net position increased \$27.8 million in 2020 and \$25.1 million in 2019. The largest portion of SD1's net position \$644.3 million or 80.9% in the current fiscal year reflects its investment in capital assets such as land, buildings, treatment facilities, and collection systems, less any related debt still outstanding used to acquire those assets. SD1 uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although SD1's investment in its capital assets is reported net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of SD1's net position is considered to be restricted. This amount represents resources that are subject to external restrictions on how they may be used. The restricted net position decreased 4.98% from 2019 and 6.16% since 2018. The decrease was primarily a result of a reduction in the required amount of debt service reserve funds being held due to paying down existing debt. The remaining balance represents unrestricted net position and may be used to meet SD1's ongoing obligations to customers and creditors. Unrestricted net position increased 32.8% at the end of 2020 and increased 33.7% at the end of 2019. The majority of the increase was in unrestricted cash reserves as capital spending slowed during the consent decree negotiations and finalizing the updated watershed plan. The expectation is beginning in 2021, cash reserves will decline annually over the next several years for planned cash funded capital improvement projects.

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

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

**Table 2
Changes in Net Position**

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

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

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

In 2019, SD1's total operating revenues experienced an increase of \$5.7 million or 5.56%. Sanitary sewer revenues increased almost \$4.5 million, which was a result of a 5% rate increase to sanitary sewer fees that became effective July 1, 2018. Storm water revenues increased \$486,000 due to an increase in impervious area as a result of GIS parcel review efforts. Permits and connection fees increased \$290,000, which fluctuates each year based on new construction activities and timing of when permits are issued. Sludge hauling increased \$512,000 due to higher rainfall in the Northern Kentucky region that resulted in an increase in the volume of leachate discharged from landfills.

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

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

In 2019, operating expenses excluding depreciation and major repairs and other decreased \$170,000 or less than 1%. The following contributed to the change in operating expenses:

- Salaries, wages, and benefits decreased \$340,000, which was primarily due to the continued focus on staff reduction through attrition and a reduction in medical costs as a result of excluding specialty drugs and continued benefits of the direct contract pricing plan. This reduction was offset by \$155,000 decrease in salaries and wages allocated to capital due to fewer capital projects.
- Professional and Contractual services decreased \$185,000 due to a decrease in the utilization of outside consultants for modeling services.
- Banking fees decreased \$269,000 due to a full year of SD1 no longer absorbing the convenience fee for customers using credit cards, debit cards or e-check payments, which is now being passed on to the customer.
- Chemicals increased \$176,000 as a result of a unit cost increase, as well as an increase in the amount of chemicals used at the Dry Creek treatment plant due to an effectiveness issue.
- Electricity increased \$329,000 primarily as a result of experiencing higher rainfall levels which resulted in higher flows entering the treatment plants and increased usage for the operation of SD1's flood pump station systems.
- Vehicle Operations increased \$148,000 due to an increase in vehicle repairs associated with maintaining an aging fleet.

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

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

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

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

Capital contributions decreased \$4,400 in 2020 and almost \$946,000 in 2019. Capital contributions consist primarily of developer dedicated sanitary and storm water infrastructure and can vary from year to year depending on the amount of infrastructure completed in any given year.

Capital Assets

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

SD1's investment in capital assets as of June 30, 2019, was \$1.057 billion (net of accumulated depreciation). This represents a 0.94% decrease from 2018. Although capital assets increased \$27.7 million, accumulated depreciation increased \$37.7 million. Major capital assets added during the year included \$12.8 million for rehab and replacement of sanitary lines and \$11.6 million of storm water lines. Land Improvement assets increased \$343,000 due to the installation of retaining walls needed to prevent further damage from landslides and to protect existing infrastructure. Pumping station infrastructure and equipment improvements were added in the amount of \$2.5 million. Construction in progress decreased \$878,000 as constructed assets were placed into service.

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

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

These assets are summarized in table 3 below.

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

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

Debt Administration

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

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

**Table 4
Debt Summary**

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

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

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

Economic Factors and Next Year's Budget

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

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

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

SD1's 2021 wastewater and storm water capital improvement plan "CIP" includes projects to address operational needs, community needs, and future growth. The projects are all at different stages of advancement and the anticipated work may range from planning and design to construction. The CIP also provides for implementation of recurring annual improvement programs such as asset renewal and unplanned emergency repairs. New capital asset purchases are also included for vehicle replacements, software and hardware purchases, and equipment replacements at SD1's main facility, treatment plants and pump stations. The total investment over the next five years for projects, programs, and purchases is \$298.2 million, of which \$257.3 million is estimated for sanitary projects, \$39.7 million for storm water projects, and \$1.2 million for capital asset purchases.

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

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

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

Contacting SD1's Financial Management

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

BASIC FINANCIAL STATEMENTS

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

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

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

See accompanying notes.

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

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

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

See accompanying notes.

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

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	\$ 62,220,739	\$ 18,592,284	\$ 80,813,023
Accounts Receivable			
Customers	7,015,682	2,062,957	9,078,639
Communities	13,361	-	13,361
Other	3,629,261	-	3,629,261
Accrued Unbilled Charges	9,354,925	1,667,400	11,022,325
Prepaid Items and Deposits	928,455	668	929,123
Accrued Interest	28,957	5,516	34,473
	<u>83,191,380</u>	<u>22,328,825</u>	<u>105,520,205</u>
Total Current Assets			
Noncurrent Assets			
Restricted Assets			
Cash and Cash Equivalents	1,019,705	896,346	1,916,051
Investments	79,699,565	1,682,040	81,381,605
Accrued Interest	243,323	-	243,323
	<u>80,962,593</u>	<u>2,578,386</u>	<u>83,540,979</u>
Total Restricted Assets			
Receivables			
Assessments	1,200,981	-	1,200,981
Municipal Improvement Notes	5,130	-	5,130
	<u>1,206,111</u>	<u>-</u>	<u>1,206,111</u>
Total Receivables			
Capital Assets			
Land	16,310,617	1,238,152	17,548,769
System, Building and Equipment	1,157,742,500	402,673,795	1,560,416,295
Construction in Progress	15,080,010	2,350,521	17,430,531
Less Accumulated Depreciation	(407,968,611)	(129,870,008)	(537,838,619)
	<u>781,164,516</u>	<u>276,392,460</u>	<u>1,057,556,976</u>
Total Capital Assets			
Total Noncurrent Assets	<u>863,333,220</u>	<u>278,970,846</u>	<u>1,142,304,066</u>
Total Assets	<u>946,524,600</u>	<u>301,299,671</u>	<u>1,247,824,271</u>
Deferred Outflows of Resources			
Deferred Outflows Related to Pension	4,994,016	1,350,951	6,344,967
Deferred Outflows Related to Other			
Postemployment Benefits	2,023,233	547,313	2,570,546
Deferred Loss on Refundings	6,049,739	-	6,049,739
	<u>13,066,988</u>	<u>1,898,264</u>	<u>14,965,252</u>
Total Deferred Outflows of Resources			
Total Assets and Deferred Outflows of Resources	<u>\$ 959,591,588</u>	<u>\$ 303,197,935</u>	<u>\$ 1,262,789,523</u>

See accompanying notes.

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

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	\$ 12,821,480	\$ -	\$ 12,821,480
Notes Payable	8,131,381	94,088	8,225,469
Accounts Payable	5,328,137	1,759,081	7,087,218
Accrued Payroll and Benefits	864,421	217,408	1,081,829
Accrued Interest Payable	6,577,226	2,385	6,579,611
Accrued Taxes and Pension	(838)	-	(838)
Compensated Absences	211,369	48,023	259,392
Sales Tax Payable	30,885	-	30,885
Other Liabilities	140,710	-	140,710
Total Current Liabilities	<u>34,104,771</u>	<u>2,120,985</u>	<u>36,225,756</u>
Long-Term Liabilities (Net of Current Portion)			
Bond Indebtedness	296,338,343	-	296,338,343
Notes Payable	114,703,688	1,206,592	115,910,280
Compensated Absences	558,495	181,454	739,949
Net Pension Liability	25,310,319	6,846,795	32,157,114
Net Other Postemployment Benefits Liability	7,378,467	1,995,979	9,374,446
Total Noncurrent Liabilities	<u>444,289,312</u>	<u>10,230,820</u>	<u>454,520,132</u>
Total Liabilities	<u>478,394,083</u>	<u>12,351,805</u>	<u>490,745,888</u>
Deferred Inflows of Resources			
Deferred Inflows Related to Pension	1,143,436	309,315	1,452,751
Deferred Inflows Related to Other Postemployment Benefits	1,572,846	425,477	1,998,323
Total Deferred Inflows of Resources	<u>2,716,282</u>	<u>734,792</u>	<u>3,451,074</u>
Total Liabilities and Deferred Inflows of Resources	<u>481,110,365</u>	<u>13,086,597</u>	<u>494,196,962</u>
Net Position			
Net Investment in Capital Assets Restricted For	355,219,363	275,091,780	630,311,143
Debt Service Funds	46,017,044	10,189	46,027,233
Operations, Infrastructure, and Insurance	33,925,844	1,671,851	35,597,695
Capital Improvement Projects and Programs	36,750	896,346	933,096
Other Purposes	982,955	-	982,955
Unrestricted	42,299,267	12,441,172	54,740,439
Total Net Position	<u>478,481,223</u>	<u>290,111,338</u>	<u>768,592,561</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 959,591,588</u>	<u>\$ 303,197,935</u>	<u>\$ 1,262,789,523</u>

See accompanying notes.

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

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

See accompanying notes.

SANITATION DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2019

	<u>Sanitation</u>	<u>Storm Water</u>	<u>Total</u>
Operating Revenues			
Sewer Service Charges	\$ 88,772,462	\$ -	\$ 88,772,462
Storm Water Charges	-	13,604,462	13,604,462
Permits and Tap-In Fees	3,712,115	79,864	3,791,979
Sludge Hauling	914,722	-	914,722
Inspections	111,672	105,635	217,307
Penalties	1,234,054	181,827	1,415,881
Contractual Services	136,004	-	136,004
Bad Debt Recoveries	16,612	2,211	18,823
Other Revenues	68,626	77,315	145,941
	<u>94,966,267</u>	<u>14,051,314</u>	<u>109,017,581</u>
Operating Expenses			
Operation, Maintenance and Administration	32,926,928	5,773,498	38,700,426
Major Repairs and Other	1,287,500	527,045	1,814,545
Depreciation	26,292,897	14,024,112	40,317,009
	<u>60,507,325</u>	<u>20,324,655</u>	<u>80,831,980</u>
Operating Income (Loss)	<u>34,458,942</u>	<u>(6,273,341)</u>	<u>28,185,601</u>
Non-Operating Income (Expense)			
Interest Income	2,473,600	444,357	2,917,957
Interest on Long-Term Debt	(15,645,240)	(29,971)	(15,675,211)
Loss on Disposal of Capital Assets	(162,100)	(102,790)	(264,890)
Federal Credits on Build America Bonds	3,251,747	-	3,251,747
Pension Expense	(1,930,389)	(655,054)	(2,585,443)
Other Postemployment Benefits Expense	(241,731)	(110,879)	(352,610)
Net Appreciation in Fair Market Value of Investments	1,073,098	26,779	1,099,877
	<u>(11,181,015)</u>	<u>(427,558)</u>	<u>(11,608,573)</u>
Change in Net Position Before Capital Contributions	23,277,927	(6,700,899)	16,577,028
Capital Contributions	<u>4,094,444</u>	<u>4,501,491</u>	<u>8,595,935</u>
Change in Net Position	27,372,371	(2,199,408)	25,172,963
Net Position - Beginning of Year	<u>451,108,852</u>	<u>292,310,746</u>	<u>743,419,598</u>
Net Position - End of Year	<u>\$ 478,481,223</u>	<u>\$ 290,111,338</u>	<u>\$ 768,592,561</u>

See accompanying notes.

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

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

See accompanying notes.

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

	Business-Type Activities		
	Enterprise Funds		
	<u>Sanitation</u>	<u>Storm Water</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to			
Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ 37,402,153	\$ (6,365,986)	\$ 31,036,167
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities			
Depreciation	26,587,626	14,281,405	40,869,031
Assessment Bad Debt	315,094	-	315,094
Change in Assets and Liabilities			
Accounts Receivable	(324,460)	(166,472)	(490,932)
Accrued Unbilled Charges	(24,345)	(23,000)	(47,345)
Prepaid Items and Deposits	18,444	668	19,112
Rebate Refunding	-	-	-
Accounts Payable	810,876	(870,555)	(59,679)
Accrued Payroll and Benefits	(511,883)	(133,095)	(644,978)
Compensated Absences	109,507	36,964	146,471
Accrued Taxes and Pension	187,126	-	187,126
Sales Tax Payable	(30,885)	-	(30,885)
Other Liabilities	(43,303)	-	(43,303)
Net Cash Provided by Operating Activities	<u>\$ 64,495,950</u>	<u>\$ 6,759,929</u>	<u>\$ 71,255,879</u>
Supplemental Schedule of Noncash Capital and Related Financing Activities			
Change in Fair Value of Investments	<u>\$ 661,415</u>	<u>\$ 14,636</u>	<u>\$ 676,051</u>
Investment Fees	<u>\$ (59,126)</u>	<u>\$ (1,634)</u>	<u>\$ (60,760)</u>
Contributions of Capital Assets	<u>\$ 3,638,090</u>	<u>\$ 4,953,382</u>	<u>\$ 8,591,472</u>
Pension Expense	<u>\$ (2,739,498)</u>	<u>\$ (508,817)</u>	<u>\$ (3,248,315)</u>
Other Postemployment Benefit Expense	<u>\$ (118,255)</u>	<u>\$ 35,640</u>	<u>\$ (82,615)</u>
Amortization Expense	<u>\$ 2,138,161</u>	<u>\$ -</u>	<u>\$ 2,138,161</u>
Reconciliations of Cash and Cash Equivalents to the Statement of Net Position			
Cash and Cash Equivalents - Current	\$ 81,343,141	\$ 18,899,551	\$ 100,242,692
Cash and Cash Equivalents - Restricted	<u>1,211,473</u>	<u>1,475,368</u>	<u>2,686,841</u>
Cash and Cash Equivalents June 30, 2020	<u>\$ 82,554,614</u>	<u>\$ 20,374,919</u>	<u>\$ 102,929,533</u>

See accompanying notes.

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

	Business-Type Activities Enterprise Funds		
	<u>Sanitation</u>	<u>Storm Water</u>	<u>Total</u>
Cash Flows From Operating Activities			
Received From Customers	\$ 94,970,437	\$ 13,854,920	\$ 108,825,357
Paid to Suppliers for Goods and Services	(17,619,304)	(1,646,303)	(19,265,607)
Paid to or on Behalf of Employees for Services	(15,440,692)	(4,137,168)	(19,577,860)
Net Cash Provided by Operating Activities	<u>61,910,441</u>	<u>8,071,449</u>	<u>69,981,890</u>
Cash Flows From Capital and Related Financing Activities			
Proceeds Received on Notes	585,651	-	585,651
Federal Credits on Build America Bonds	3,251,747	-	3,251,747
Payments on Long Term Debt	(20,749,151)	(92,233)	(20,841,384)
Acquisition and Construction of Capital Assets, Net of Capital Contributions	(16,495,147)	(5,525,035)	(22,020,182)
Proceeds From Sales of Capital Assets	17,359	-	17,359
Interest Paid	(18,060,570)	(30,140)	(18,090,710)
Principal Received on Assessments	53,566	-	53,566
Assessment Interest Income	37,599	-	37,599
Net Cash Used by Capital and Related Financing Activities	<u>(51,358,946)</u>	<u>(5,647,408)</u>	<u>(57,006,354)</u>
Cash Flows From Investing Activities			
Interest Income	1,169,536	420,465	1,590,001
Proceeds from the Sale of Investments	21,604,760	-	21,604,760
Purchase of Investments	(17,177,149)	(66,322)	(17,243,471)
Net Cash Provided by Investing Activities	<u>5,597,147</u>	<u>354,143</u>	<u>5,951,290</u>
Net Change in Cash	16,148,642	2,778,184	18,926,826
Cash and Cash Equivalents July 1, 2018	<u>47,091,802</u>	<u>16,710,446</u>	<u>63,802,248</u>
Cash and Cash Equivalents June 30, 2019	<u>\$ 63,240,444</u>	<u>\$ 19,488,630</u>	<u>\$ 82,729,074</u>

See accompanying notes.

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

	Business-Type Activities Enterprise Funds		
	<u>Sanitation</u>	<u>Storm Water</u>	<u>Total</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ 34,458,942	\$ (6,273,341)	\$ 28,185,601
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities			
Depreciation	26,292,897	14,024,112	40,317,009
Change in Assets and Liabilities			
Accounts Receivable	320,765	(143,794)	176,971
Accrued Unbilled Charges	(316,595)	(52,600)	(369,195)
Prepaid Items and Deposits	(34,551)	(318)	(34,869)
Accounts Payable	1,109,717	519,051	1,628,768
Accrued Payroll and Benefits	30,841	(2,238)	28,603
Compensated Absences	58,881	577	59,458
Accrued Taxes and Pension	(4,553)	-	(4,553)
Sales Tax Payable	(4,828)	-	(4,828)
Other Liabilities	(1,075)	-	(1,075)
Net Cash Provided by Operating Activities	<u>\$ 61,910,441</u>	<u>\$ 8,071,449</u>	<u>\$ 69,981,890</u>
Supplemental Schedule of Noncash Capital and Related Financing Activities			
Change in Fair Value of Investments	<u>\$ (1,073,098)</u>	<u>\$ 26,779</u>	<u>\$ (1,046,319)</u>
Investment Fees	<u>\$ (68,921)</u>	<u>\$ (3,192)</u>	<u>\$ (72,113)</u>
Contributions of Capital Assets	<u>\$ 4,094,444</u>	<u>\$ 4,501,491</u>	<u>\$ 8,595,935</u>
Pension Expense	<u>\$ (1,930,389)</u>	<u>\$ (655,054)</u>	<u>\$ (2,585,443)</u>
Other Postemployment Benefits Expense (Revenue)	<u>\$ (241,731)</u>	<u>\$ 110,879</u>	<u>\$ (130,852)</u>
Amortization Expense	<u>\$ (2,167,429)</u>	<u>\$ -</u>	<u>\$ (2,167,429)</u>
Reconciliations of Cash and Cash Equivalents to the Statement of Net Position			
Cash and Cash Equivalents - Current	\$ 62,220,739	\$ 18,592,284	\$ 80,813,023
Cash and Cash Equivalents - Restricted	<u>1,019,705</u>	<u>896,346</u>	<u>1,916,051</u>
Cash and Cash Equivalents June 30, 2019	<u>\$ 63,240,444</u>	<u>\$ 19,488,630</u>	<u>\$ 82,729,074</u>

See accompanying notes.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Description of SD1

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

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

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

Reporting Entity

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

Basis of Accounting and Presentation

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Structure

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

1. Sanitation Fund
2. Storm Water Fund

Sanitation Fund

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

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

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

Storm Water Fund

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

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

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

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

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

Operating Revenues and Expenses

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

Cash and Cash Equivalents

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

Investments

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

Accounts Receivable - Customers

SD1 follows a monthly cycle billing procedure. When meter readings are delayed, bills are rendered based on estimated meter readings to promote consistency of sewer service revenue. Accounts receivable and related sewer service revenue are recorded when billed. The financial statements include an estimate for unbilled sewer and storm water charges of \$11,069,670 and \$11,022,325 as of June 30, 2020 and 2019, respectively.

Accounts receivable are stated at their contractual outstanding balances, net of any allowance for doubtful accounts. Accounts are considered past due if any portion of an account has not been paid in full within the contractual terms of the account. SD1 begins to assess its ability to collect receivables that are over 90 days past due and provides for an adequate allowance for doubtful accounts based on SD1's collection history, the financial stability and recent payment history of the customer, and other pertinent factors. Based on these criteria, SD1 has estimated no allowance for doubtful accounts at both June 30, 2020 and 2019 because management expects no material losses.

Inventory

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

Deferred Outflows and Inflows of Resources

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Assets

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

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

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

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

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

Construction in Progress

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

Capital Contributions

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

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

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Compensated Absences

Employees of SD1 are entitled to paid vacation depending on length of service and other factors. The amounts recorded for accumulated vacation for the years ended June 30, 2020 and 2019 were \$1,145,812 and \$999,341, respectively. Sick leave is not accrued because it does not vest; employees are not paid for any sick leave balance at termination of employment except at retirement.

Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986, is subject to arbitrage rebate requirements. The requirements stipulate that the earnings from the investment of tax-exempt bond proceeds which exceed related interest expenditures on the bonds must be remitted to the Federal Government on every fifth anniversary of each bond issue. SD1 has evaluated all bond issuances subject to arbitrage rebate requirements and noted no liability at both June 30, 2020 and 2019.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is classified as net investment in capital assets, restricted, and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt which has not been spent is included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use through enabling legislation or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments. All other net position that does not meet the definition of "restricted" or "net investment in capital assets" is considered unrestricted.

Although not a formal policy, when both restricted and unrestricted resources are available for use, it is SD1's intent to use restricted resources first, then unrestricted resources as they are needed.

Bond Premiums, Discounts, and Issue Costs

Bonds payable are reported net of any premium and discounts, which are amortized over the life of the applicable bonds using the effective interest method. Issuance costs are recognized as an expense in the year incurred.

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

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

Fiduciary Activities

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

Certain Disclosures Related to Debt

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

Majority Equity Interests

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

Lease Accounting Standard

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

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

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

Authorized Investment Instruments

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

Deposits and Investments

Custodial Credit Risk – Deposits. For deposits, this is the risk that, in the event of the failure of a depository financial institution, SD1 will not be able to record its deposits. SD1 maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). SD1 follows state statutes which require pledged collateral with a fair value equal to 100% of the funds on deposit, less insured amounts. As of both June 30, 2020 and 2019, SD1's deposits were either insured by the FDIC or fully collateralized by securities held by SD1's agent in SD1's name.

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of the failure of a counterparty, SD1 will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. SD1 had custodial credit risk at June 30, 2020 and 2019 of \$76,485,253 and \$81,381,605, respectively. The related securities totaling this amount are uninsured, unregistered, with securities held by the counterparty, or its trust department or agent but not in the entity's name.

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

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

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

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

NOTE 3 – RESTRICTED ASSETS

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

The following schedule details the restricted assets as of June 30, 2020 and 2019:

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

NOTE 4 – FAIR VALUE MEASUREMENT

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

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

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

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

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

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

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

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

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

Cash and Cash Equivalents	\$ -	\$ 17,400,025	\$ -	\$ 17,400,025
Municipal Bonds	-	3,571,484	-	3,571,484
Treasury Bonds	-	26,983,073	-	26,983,073
Agency Bonds	-	33,427,023	-	33,427,023
Total Investments at Fair Value	\$ -	\$ 81,381,605	\$ -	\$ 81,381,605

NOTE 5 – CAPITAL ASSETS

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

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

NOTE 5 – CAPITAL ASSETS (Continued)

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

NOTE 6 – NOTES RECEIVABLE

SD1 has, at the request of homeowners, extended sanitary sewer service into existing areas for which there was no previous service. SD1 paid the initial cost of this construction and assessed the homeowners to recover the cost of construction. The following is a schedule of assessments and improvements outstanding to SD1 as of June 30, 2020 and 2019.

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

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

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

Western Regional Waste Water Reclamation Facility Loan A08-04

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

Dry Creek Waste Water Treatment Plant Loan A09-04

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

Sunnybrook Sewer System Loan A09-05

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

Southfork Gunpowder Creek Loan A09-06

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

Frogtown Interceptor Loan A09-07

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

Turkeyfoot/Industrial Road Loan A09-08

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

Narrows Road Diversion Loan A09-09

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

NOTE 7 – LONG-TERM DEBT (Continued)Dry Creek Head Works/Hydraulics Loan A10-11

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

Lakeview, Kentucky Aire, Church Street Loan A11-13

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

Lakeside Park, Vernon Lane Loan A11-14

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

Wolpert Force Main Loan A12-02

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

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

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

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

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

NOTE 7 – LONG-TERM DEBT (Continued)

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

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

BondsRevenue Bonds, Series 2009

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

The proceeds for the sale of the Series 2009 Bonds, together with other available funds, were used to (1) provide funds to meet certain capital construction costs of SD1, (2) fund the Debt Service Reserve Fund, and (3) pay the necessary costs and expenses incident to the issuance and delivery of the Series 2009 Bonds. This bond was refinanced during the fiscal year ending June 30, 2020.

Revenue Bonds, Series 2010A

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

The proceeds for the sale of the Series 2010A Bonds, together with other available funds, were used to (1) provide funds to meet certain capital construction costs of SD1, (2) fund the Debt Service Reserve Fund, and (3) pay the necessary costs and expenses incident to the issuance and delivery of the Series 2010A Bonds. This bond was refinanced during the fiscal year ending June 30, 2020.

Refunding Revenue Bonds, Series 2010B

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

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

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

NOTE 7 – LONG-TERM DEBT (Continued)Build America Bonds, Series 2010C

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

The proceeds for the sale of the Series 2010C Bonds, together with other available funds, were used to (1) provide funds to meet certain capital construction costs of SD1, (2) fund the Debt Service Reserve Fund, and (3) pay the necessary costs and expenses incident to the issuance and delivery of the Series 2010C Bonds. This bond was refinanced during the fiscal year ending June 30, 2020.

Recovery Zone Economic Development Bonds, Series 2010D

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

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

Refunding Revenue Bonds, Series 2016

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

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

Refunding Revenue Bonds, Series 2019

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

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

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

NOTE 7 – LONG-TERM DEBT (Continued)

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

Issue Date	Original Amount	Interest	Outstanding Balance at June 30,	
			2020	2019
Series 2009	\$ 54,800,000	1.70 - 7.13%	\$ -	\$ 44,215,000
Series 2010 A	\$ 75,000,000	1.00 - 6.25%	-	61,300,000
Series 2010 B	\$ 42,310,000	2.00 - 4.00%	28,495,000	30,320,000
Series 2010 C	\$ 19,600,000	0.80 - 4.85%	-	8,200,000
Series 2010 D	\$ 40,905,000	5.10 - 6.30%	40,905,000	40,905,000
Series 2016	\$ 124,990,000	3.00 - 5.00%	108,355,000	112,250,000
Series 2019	\$ 99,490,000	2.25 - 5.00%	99,490,000	-
Plus: Unamortized Bond Premium			20,503,060	11,969,823
			<u>\$ 297,748,060</u>	<u>\$ 309,159,823</u>

All issues may be called prior to maturity at dates and redemption premiums specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of SD1 at June 30, 2020 for debt service (principal and interest) are as follows:

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

NOTE 7 – LONG-TERM DEBT (Continued)

Changes in long-term liabilities are as follows:

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

NOTE 8 – PENSION PLAN

General Information about the Pension Plan

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

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

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

Age	Years of Service	Allowance Reduction
65	1 month	None
Any	27	None
55	5	6.5% per year for first five years, and 4.5% for the next five years before age 65 or 27 years of service.
Any	25	6.5% per year for first five years, and 4.5% for the next five years before age 65 or 27 years of service.

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

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

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

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

Benefit Formula for Tiers 1 & 2

Final Compensation	X	Benefit Factor	X	Years of Service
Average of the five highest years of compensation if participation began before 09/01/2008.		2.20% if:		Includes earned service, purchased service, prior service, and sick leave service (if the member's employer participates in an approved sick leave program).
		Member begins participating prior to 08/01/2004.		
		2.00% if:		
		Member begins participating on or after 08/01/2004 and before 09/01/2008.		
Average of the last complete five years of compensation if participation began on or after 09/01/2008 but before 01/01/2014.		Increasing percent based on service at retirement up to 30 years* plus 2.00% for each year of service over 30 if		
		Member begins participating on or after 08/01/2004 but before 01/01/2014.		

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

NOTE 8 – PENSION PLAN (Continued)

Benefit Formula for Tiers 3					
(A-B) = C X 75% = D then B+D = Interest					
A	B	C	D	Interest Rate Earned (4% + Upside)	Total Interest Credited to Members' Accounts
5 Year Geometric Average Return	Less Guarantee Rate	Upside Sharing Interest	Interest Rate Earned		
5.51%	4.00%	1.51%	1.13%	5.13%	\$ 6,360,000
7.39%	4.00%	3.39%	2.54%	6.54%	\$ 4,786,000

For post-retirement death benefits, if the member is receiving a monthly benefit based on at least four (4) years of creditable service, the retirement system will pay a \$5,000 death benefit payment to the beneficiary named by the member specifically for this benefit.

For disability benefits, members participating before August 1, 2004 may retire on account of disability provided the member has at least 60 months of service credit and is not eligible for an unreduced benefit. Additional service credit may be added for computation of benefits under the benefit formula. Members participating on or after August 1, 2004 but before January 1, 2014 may retire on account of disability provided the member has at least 60 months of service credit. Benefits are computed at the greatest of 20% for non-hazardous of final rate of pay or the amount calculated under the benefit formula based upon actual service. Members participating on or after January 1, 2014 may retire on account of disability provided the member has at least 60 months of service credit. The hypothetical account which includes member contributions, employer contributions, and interest credits can be withdrawn from the System as a lump sum or an annuity equal to the larger of 20% for non-hazardous of the member's monthly final rate of pay or the annuitized hypothetical account into a single life annuity option. Members disabled as a result of a single duty-related injury or act of violence related to their job may be eligible for special benefits.

For pre-retirement death benefits, the beneficiary of a deceased active member will be eligible for a monthly benefit if the member was: (1) eligible for retirement at the time of death or, (2) under the age of 55 with at least 60 months of service credit and currently working for a participating agency at the time of death or (3) no longer working for a participating agency but at the time of death had at least 144 months of service credit. If the beneficiary of a deceased active member is not eligible for a monthly benefit, the beneficiary will receive a lump sum payment of the member's contributions and any accumulated interest.

The Kentucky General Assembly has the authority to increase, suspend, or reduce Cost of Living Adjustments (COLAs). Senate Bill 2 of 2013 eliminated all future COLAs unless the State Legislature so authorizes on a biennial basis and either (1) the system is over 100.00% funded or (2) the Legislature appropriates sufficient funds to pay the increased liability for the COLA.

During the 2018 legislative session, House Bill 185 was enacted, which provided increased pension benefits for the beneficiaries of active members who die in the line of duty.

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

Plan members who began participating on, or after, September 1, 2008, were required to contribute a total of 6.00% for non-hazardous of their annual creditable compensation. The 1.00% was deposited to an account created for the payment of health insurance benefits under 26 USC section 401(h) in the Pension Fund. These members were classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.50%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1.00% contribution to the 401(h) account is non-refundable and is forfeited.

NOTE 8 – PENSION PLAN (Continued)

Plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. These member were classified in the Tier 3 structure of benefits. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute 5.00% non-hazardous of their annual creditable compensation and 1.00% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with 4.00% non-hazardous employer pay credit. The employer pay credit represents a portion of the employer contribution.

The employer contribution rates are set by the KRS Board under Kentucky Revised Statute 61.565 based on an annual actuarial valuation, unless altered by legislation enacted by the Kentucky General Assembly. For the fiscal year ended June 30, 2020 and 2019, participating employers contributed 24.06% (19.30% pension fund and 4.76% insurance fund) and 21.48% (16.22% pension fund and 5.26% insurance fund), respectively, of each employee's creditable compensation. The actuarially determined rates set by the Board for the fiscal years was a percentage of each employee's creditable compensation. Contributions to the pension fund from the SD1 were \$2,638,931 and \$2,153,407 for the years ended June 30, 2020 and 2019, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**Plan Information for June 30, 2020 Financial Statements**

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

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

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

NOTE 8 – PENSION PLAN (Continued)

The \$2,638,931 reported as deferred outflows of resources related to pensions resulting from SD1 contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

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

Valuation Date	June 30, 2019
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	24 years, closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25% net of pension plan investment expense, including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (male mortality rates are multiplied by 50% and female mortality rates are multiplied by 30%). The mortality table for healthy retired members and beneficiaries is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (female mortality rates are set back one year). The mortality table for disabled members is the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (male mortality rates are set back four years). There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

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

NOTE 8 – PENSION PLAN (Continued)

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

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

Discount rate: The discount rate used to measure the total pension liability was 6.25%. The single discount rate was based on the expected rate of return on pension plan investments for the system. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the pension plan’s fiduciary net position and future contributions were projected to be sufficient to finance all the future benefit payments of the current plan member. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability for the system. The projection of cash flows used to determine the single discount rate assumes that each fund receives the employer required contributions each future year as determined by the current funding policy established in statute, which includes the phase-in provisions from House Bill 362 (passed in 2018) that applies to CERS.

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

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

Plan Information for June 30, 2019 Financial Statements

At June 30, 2019, SD1 reported a liability of \$32,157,114, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan’s fiscal year end, June 30, 2018, using generally accepted actuarial principles. SD1’s proportion of the net pension liability was based on SD1’s share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2019, SD1’s proportion for the non-hazardous system was 0.528005%, which was a decrease of 0.012913% from its proportion measured as of June 30, 2018.

NOTE 8 – PENSION PLAN (Continued)

For the year ended June 30, 2019, SD1 recognized pension expense of \$2,585,443. At June 30, 2019, SD1 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ -	\$ 385,582
Difference Between Expected and Actual Experience	1,048,875	470,712
Changes of Assumptions	3,142,685	-
Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	-	596,457
Contributions After Measurement Date	<u>2,153,407</u>	<u>-</u>
Total	<u>\$ 6,344,967</u>	<u>\$ 1,452,751</u>

The \$2,153,407 reported as deferred outflows of resources related to pensions resulting from SD1 contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending June 30,</u>	
2020	\$ 2,275,692
2021	1,091,537
2022	(455,826)
2023	<u>(172,594)</u>
Total	<u>\$ 2,738,809</u>

Actuarial assumptions: The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2017
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	25 years
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.05%, average
Investment Rate of Return	6.25% net of pension plan investment expense, including inflation

NOTE 8 – PENSION PLAN (Continued)

The mortality for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (male mortality rates are multiplied by 50% and female mortality rates are multiplied by 30%). The mortality table for healthy retired members and beneficiaries is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (female mortality rates are set back one year). The mortality table for disabled members is the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (male mortality rates are set back four years). There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

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

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

Asset Class	Target Allocation	Long Term Expected Nominal Return
US Equity		
US Large Cap	5.00 %	4.50 %
US Mid Cap	6.00	4.50
US Small Cap	6.50	5.50
Non-US Equity		
International Developed	12.50	6.50
Emerging Markets	5.00	7.25
Global Bonds	4.00	3.00
Credit Fixed		
Global IG Credit	2.00	3.75
High Yield	7.00	5.50
EMD	5.00	6.00
Illiquid Private	10.00	8.50
Private Equity	10.00	6.50
Real Estate	5.00	9.00
Absolute Return	10.00	5.00
Real Return	10.00	7.00
Cash	2.00	1.50
Total	100.00 %	

Discount rate: The discount rate used to measure the total pension liability was 6.25%. The single discount rate was based on the expected rate of return on pension plan investments for the system.

Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the pension plan's fiduciary net position and future contributions were projected to be sufficient to finance all the future benefit payments of the current plan member. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the system. The projection of cash flows used to determine the single discount rate assumes that the participating employers in the system contributes the actuarially determined contribution rate in all future years.

NOTE 8 – PENSION PLAN (Continued)

Sensitivity of SD1's proportionate share of the net pension liability to changes in the discount rate: The following presents SD1's proportionate share of the net pension liability using the discount rate of 6.25%, as well as what SD1's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

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

Payables to the Pension Plan

At June 30, 2020 and 2019, SD1 did not have any required contributions payable to the pension plan for the years then ended.

Pension Plan Fiduciary Net Position

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

NOTE 9 – OPEB PLAN

General Information about the OPEB Plan

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

Benefits provided: The KRS' Insurance Fund was established to provide hospital and medical insurance for eligible members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. The Insurance Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous members killed in the line of duty.

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

NOTE 9 – OPEB PLAN (Continued)

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

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

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

Plan members who began participating on, or after, September 1, 2008, were required to contribute a total of 6.00% for non-hazardous of their annual creditable compensation. The 1.00% was deposited to an account created for the payment of health insurance benefits under 26 USC section 401(h) in the Pension Fund. These members were classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.50%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1.00% contribution to the 401(h) account is non-refundable and is forfeited.

Plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. These member were classified in the Tier 3 structure of benefits. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute 5.00% non-hazardous of their annual creditable compensation and 1.00% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with 4.00% non-hazardous employer pay credit. The employer pay credit represents a portion of the employer contribution.

The employer contribution rates are set by the KRS Board under Kentucky Revised Statute 61.565 based on an annual actuarial valuation, unless altered by legislation enacted by the Kentucky General Assembly. For the fiscal year ended June 30, 2020 and 2019, participating employers contributed 24.06% (19.30% pension fund and 4.76% insurance fund) and 21.48% (16.22% pension fund and 5.26% insurance fund), respectively, of each employee's creditable compensation. The actuarially determined rates set by the Board for the fiscal years was a percentage of each employee's creditable compensation. Contributions to the insurance fund from SD1 were \$650,845 and \$698,331 for the year ended June 30, 2020 and 2019, respectively.

NOTE 9 – OPEB PLAN (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***Plan Information for June 30, 2020 Financial Statements***

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

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

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

\$650,845 reported as deferred outflows of resources related to OPEB resulting from SD1 contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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

NOTE 9 – OPEB PLAN (Continued)

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

Valuation Date	June 30, 2019
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay
Amortization Period	24 Years, Closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Payroll Growth Rate	2.00%
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by services
Investment Rate of Return	7.50%
Healthcare Cost Trend Rates (Pre-65)	Initial trend starting at 7.25% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Healthcare Cost Trend Rates (Post-65)	Initial trend starting at 5.10% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

The mortality for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (male mortality rates are multiplied by 50% and female mortality rates are multiplied by 30%). The mortality table for healthy retired members and beneficiaries is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (female mortality rates are set back one year). The mortality table for disabled members is the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (male mortality rates are set back four years). There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

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

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

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

NOTE 9 – OPEB PLAN (Continued)

Discount rate: The discount rate used to measure the total OPEB liability was 5.68% for non-hazardous and 5.69% for hazardous. The single discount rate was based on the expected rate of return on the OPEB plan investments of 6.25% and a municipal bond rate of 3.13%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2019. Based on the stated assumptions and the projection of cash flows as of each fiscal year ended, the plan's insurance fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on Insurance Plan investments was applied to all period of the projected benefit payments paid from the retirement plan. However, the cost associated with the implicit subsidy will not be paid out of the Plan's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The projection of cash flows used to determine the single discount rate assumes that the fund receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018).

Sensitivity of SD1's proportionate share of the net OPEB liability to changes in the discount rate: The following present's SD1's proportionate share of the net OPEB liability, as well as what SD1's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.68% for non-hazardous) or 1-percentage-point higher (6.68% for non-hazardous) than the current rate:

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

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

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

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

Plan Information for June 30, 2019 Financial Statements

At June 30, 2019, SD1 reported a liability of \$9,374,446 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2018, using generally accepted actuarial principles. SD1's proportion of the net OPEB liability was based on SD1's share of contributions to the OPEB plan relative to the contributions of all participating employers. At June 30, 2019, the SD1's proportion for the non-hazardous system was 0.527995%, which was a decrease of 0.012923% from its proportion measured as of June 30, 2018.

NOTE 9 – OPEB PLAN (Continued)

For the year ended June 30, 2019, SD1 recognized OPEB expense of \$352,610. At June 30, 2019, SD1 reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ -	\$ 1,092,468
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	-	645,715
Changes Of Assumptions	1,872,215	21,659
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	238,481
Commission Contributions Subsequent to the Measurement Date	<u>698,331</u>	<u>-</u>
Total	<u>\$ 2,570,546</u>	<u>\$ 1,998,323</u>

\$698,331 reported as deferred outflows of resources related to OPEB resulting from SD1 contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Years Ending June 30,</u>	
2020	\$ (12,551)
2021	(12,551)
2022	(12,551)
2023	112,858
2024	(127,262)
Thereafter	<u>(74,051)</u>
Total	<u>\$ (126,108)</u>

Actuarial assumptions: The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2017
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of pay
Amortization Period	27 years, closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Payroll Growth Rate	4.00%
Inflation	3.25%
Salary Increase	4.00%, average
Investment Rate of Return	7.50%
Healthcare Cost Trend Rates (Pre-65)	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years.
Healthcare Cost Trend Rates (Post-65)	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.

NOTE 9 – OPEB PLAN (Continued)

The mortality for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (male mortality rates are multiplied by 50% and female mortality rates are multiplied by 30%). The mortality table for healthy retired members and beneficiaries is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (female mortality rates are set back one year). The mortality table for disabled members is the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (male mortality rates are set back four years). There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

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

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

Asset Class	Target Allocation	Long Term Expected Nominal Return
US Equity		
US Large Cap	5.00 %	4.50 %
US Mid Cap	6.00	4.50
US Small Cap	6.50	5.50
Non-US Equity		
International Developed	12.50	6.50
Emerging Markets	5.00	7.25
Global Bonds	4.00	3.00
Credit Fixed		
Global IG Credit	2.00	3.75
High Yield	7.00	5.50
EMD	5.00	6.00
Illiquid Private	10.00	8.50
Private Equity	10.00	6.50
Real Estate	5.00	9.00
Absolute Return	10.00	5.00
Real Return	10.00	7.00
Cash	2.00	1.50
Total	100.00 %	

Discount rate: The discount rate used to measure the total OPEB liability was 5.85% for non-hazardous. The single discount rate was based on the expected rate of return on the OPEB plan investments of 6.25% and a municipal bond rate of 3.62%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2018. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

NOTE 9 – OPEB PLAN (Continued)

Sensitivity of the SD1's proportionate share of the net OPEB liability to changes in the discount rate: The following present's SD1's proportionate share of the net OPEB liability, as well as what SD1's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.85% for non-hazardous) or 1-percentage-point higher (6.85% for non-hazardous) than the current rate:

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

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

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

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

Payables to the OPEB Plan

At June 30, 2020 and 2019, SD1 did not have any required contributions payable to the OPEB plan for the years then ended.

OPEB Fiduciary Net Position

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

NOTE 10 – LESSOR AGREEMENT

SD1 entered into a lease agreement with the Kenton County Board of Education to lease 15,000 square feet of its building on July 1, 2017 through June 30, 2022. Previously, SD1 had an original agreement with a term of July 1, 2007 through July 1, 2012 and an option to renew at the end of the full term for an additional five years. The Board of Education did renew its lease with SD1 for the period July 1, 2012 through June 30, 2017 but entered into the new lease agreement. The cost of the portion of the building being leased is \$2,300,902. The total accumulated depreciation associated with this asset is \$1,403,902 for a net asset value of \$897,000.

Future minimum rentals to be received are as follows:

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

NOTE 11 – OPERATING LEASES

SD1 is obligated under certain non-cancelable leases for equipment and towers. The leases expire at various dates through June 2024. Lease expense for the years ended June 30, 2020 and 2019 were \$52,925 and \$44,588, respectively.

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

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

NOTE 12 – REIMBURSEMENT COMMITMENTS

SD1 has entered into inter-local agreements, whereby cities can apply for reimbursement of qualified expenses incurred to accomplish required storm water improvements. There were 12 new agreements totaling \$998,348 for the year ended June 30, 2020 and 13 new agreements totaling \$687,818 for the year ended June 30, 2019.

NOTE 13 – ECONOMIC DEPENDENCY

SD1 receives all of its service revenues from customers in the three northern counties of Kentucky and is not dependent upon one customer, industry or commercial user.

NOTE 14 – CONTINGENCIES

Effective June 22, 1999, the Board of Directors approved a resolution to indemnify each officer and director all expenses incurred in connection with their performance of duties and responsibilities associated with their membership with SD1. This includes claims not covered by SD1's Directors and Officers Errors and Omissions Liability Insurance.

Prior to January 2018, SD1 offered a Health Reimbursement Account to full time eligible employees for out of pocket healthcare costs. SD1 annually credited various amounts to the accounts of eligible employees based on their participation in wellness programs. As of January 2018, SD1 is no longer crediting amounts to the accounts as the Health Reimbursement Account is no longer being funded. However for amounts previously credited, the contributions became available for participants for uses allowed by the plan during their employment and retirement. Unspent balances are available to participants for allowable expenditures unless they cease employment with SD1 before their normal retirement date. Accordingly, a liability of \$332,684 and \$351,115 has been recorded in the accompanying financial statements which is management's estimate of the unspent balances as of June 30, 2020 and 2019, respectively, that are likely to be paid in future periods.

NOTE 15 – LITIGATION

In October 2005, SD1 announced that it had reached a comprehensive settlement with the Kentucky Environmental and Public Protection Cabinet and the U.S. Environmental Protection Agency (EPA) to address sewer overflows and improve water quality in Northern Kentucky. The settlement is contained in a Consent Decree, which was logged with the U.S. District Court for the Eastern District of Kentucky on October 7, 2005. The Consent Decree establishes a 20-year plan to address combined sewer overflows (CSOs) consistent with U.S. EPA's 1994 CSO control policy, and separate sanitary sewer overflows (SSOs) consistent with the Clean Water Act. SD1 will implement the requirements of the Decree through a unique watershed approach, which will allow SD1 to comprehensively assess the cumulative impacts of all pollution sources on receiving waters. This holistic approach will lead to more efficient and cost-effective solutions for the improvement of water quality. The Consent Decree required SD1 to pay a civil penalty in the amount of \$476,400, which was paid during the year ended June 30, 2006, and to expend \$636,000 for supplemental environmental projects. It is estimated that full implementation of the Decree will cost approximately \$1.3 billion over the next 20 years. The Consent Decree was entered by the Court in April 2007 and is final and binding upon all parties. On May 22, 2019 the Court entered an Order approving the Amended Consent Decree giving SD1 until 2040 to comply with the Consent Decree.

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

SD1 is a party to a breach of contract suit involving two other parties in the construction of a storm water pipe as part of a development project in the City of Dayton, Kentucky. Motion to dismiss has been granted to SD1 and the appeals court affirmed the decision. On March 15, 2018, Coppage appealed Judge Bartlett's ruling granting summary judgment to SD1 to the Kentucky Court of Appeals. The Kentucky Court of Appeals upheld the trial court's ruling on six of Coppage's seven claims against SD1. The Court of Appeals reversed the trial court and determined that Coppage's partnership by estoppel claim should proceed to trial. SD1 filed a Petition for Rehearing in the Court of Appeals which was denied. Coppage filed a Motion for Discretionary Review with the Kentucky Supreme Court challenging the Court of Appeals' ruling upholding the dismissal of the other six claims. SD1 filed a Response opposing that motion. It is currently under submission with the Kentucky Supreme Court.

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

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

NOTE 15 – LITIGATION (Continued)

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

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

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

NOTE 16 – INSURANCE IN FORCE

SD1 has the following insurance policies in force during the years ended June 30, 2020 and 2019:

Type of Coverage	Amount of Coverage	
	2020	2019
Property-Buildings, Pump Stations, Machinery	\$ 359,087,589	\$ 345,056,628
Earthquake	50,000,000	50,000,000
Equipment Breakdown	50,000,000	50,000,000
Flood	50,000,000	50,000,000
Vehicles	10,000,000	10,000,000
Environmental Impairment	25,000,000	25,000,000
Public Entity Management Liability	10,000,000	10,000,000
General Liability, Aggregate	26,000,000	26,000,000
Scheduled Equipment	3,985,706	5,790,323
Pipeline Policy	5,000,000	5,000,000
Employer's Liability	10,000,000	10,000,000
Crime - Employee Dishonesty	3,000,000	3,000,000
Cyber Liability	3,000,000	3,000,000
EDP-Hardware, Software	1,250,000	1,250,000
Sewer Backup	1,000,000	1,000,000
Telecommunications-Equipment	467,814	467,818
Electronic Vandalism	100,000	100,000
Telecommunications-Tower	89,600	89,600

NOTE 17 – SUBSEQUENT EVENTS

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

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

County Employees Retirement System
Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
SD1's Proportion of the Net Pension Liability	0.517484%	0.528005%	0.540918%	0.544995%	0.566115%	0.564690%
SD1's Proportionate Share of the Net Pension Liability	\$ 36,394,880	\$ 32,157,114	\$ 31,661,594	\$ 26,833,461	\$ 24,340,276	\$ 18,320,686
SD1's Covered Payroll	\$ 13,229,298	\$ 13,358,633	\$ 13,338,602	\$ 13,241,319	\$ 13,307,431	\$ 12,954,902
SD1's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	275.11%	240.72%	237.37%	202.65%	182.91%	141.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%

* Only six years of information available. Additional years' information will be displayed as it becomes available.

See accompanying notes.

SANITATION DISTRICT NO. 1
SCHEDULE OF SD1'S PENSION CONTRIBUTIONS
JUNE 30, 2020

County Employees Retirement System
Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 2,638,931	\$ 2,153,407	\$ 1,934,330	\$ 1,860,735	\$ 1,644,572	\$ 1,696,697	\$ 1,780,004
Contributions in Relation to the Contractually Required Contribution	<u>(2,638,931)</u>	<u>(2,153,407)</u>	<u>(1,934,330)</u>	<u>(1,860,735)</u>	<u>(1,644,572)</u>	<u>(1,696,697)</u>	<u>(1,780,004)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
SD1's Covered Payroll	\$ 13,594,328	\$ 13,229,298	\$ 13,358,633	\$ 13,338,602	\$ 13,241,319	\$ 13,307,431	\$ 12,954,902
Contributions as a Percentage of Covered Payroll	19.41%	16.28%	14.48%	13.95%	12.42%	12.75%	13.74%

* Only seven years of information available. Additional years' information will be displayed as it becomes available.

See accompanying notes.

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

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

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

** Only three years of information available. Additional years' information will be displayed as it becomes available.*

See accompanying notes.

SANITATION DISTRICT NO. 1
SCHEDULE OF SD1'S OPEB CONTRIBUTIONS
June 30, 2020

County Employees Retirement System
Last 10 Fiscal Years*

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

* Only four years of information available. Additional years' information will be displayed as it becomes available.

See accompanying notes.

OTHER SUPPLEMENTARY INFORMATION

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

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

See accompanying notes.

**SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL
GENERAL REVENUES
YEAR ENDED JUNE 30, 2019**

	<u>Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
Revenues			
Sewer Service Charges	\$ 84,900,000	\$ 86,065,606	\$ 1,165,606
Storm Water Charges	13,054,800	13,604,462	549,662
Surcharges	2,746,150	2,706,856	(39,294)
Capacity Connection Fees	3,000,000	3,358,227	358,227
Penalties	1,466,500	1,393,231	(73,269)
Fines	18,000	22,650	4,650
Inspections	113,500	217,307	103,807
Permits	411,099	433,752	22,653
Project Reimbursements	-	61,628	61,628
Contractual Services	150,000	136,004	(13,996)
Sludge Hauling	350,000	914,722	564,722
Bad Debt Recoveries	21,500	18,823	(2,677)
Other Revenues	25,000	84,313	59,313
Total Revenues	<u>\$ 106,256,549</u>	<u>\$ 109,017,581</u>	<u>\$ 2,761,032</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, 2020**

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

See accompanying notes.

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

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

See accompanying notes.

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

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

See accompanying notes.

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

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

See accompanying notes.

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

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

See accompanying notes.

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

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

See accompanying notes.

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

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

See accompanying notes.

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

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

See accompanying notes.

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

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

See accompanying notes.

**SANITATION DISTRICT NO. 1
 BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL
 OPERATION, MAINTENANCE, AND ADMINISTRATION
 DRY CREEK TREATMENT PLANT OPERATIONS
 YEAR ENDED JUNE 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Expenses			
Salaries and Wages	\$ 2,260,120	\$ 2,108,013	\$ 152,107
Medical and Dental Self Insured Plan	692,685	630,342	62,343
Pension Plan	478,389	429,382	49,007
Payroll Taxes	172,899	155,301	17,598
Employee Benefits	36,438	30,825	5,613
Credit Charged to Capital Projects	(12,000)	(5,005)	(6,995)
Insurance and Bond	198,500	213,030	(14,530)
Professional and Contracted Services	222,046	136,786	85,260
Postage	2,450	2,426	24
Office and Operating Supplies	156,000	163,183	(7,183)
Travel, Training, and Certification	42,700	46,642	(3,942)
Operating Maintenance - Building Grounds	101,000	112,203	(11,203)
Subscriptions	1,000	374	626
Legal Advertising	-	774	(774)
Electric and Gas	1,176,480	1,284,243	(107,763)
Telephone and Radio	45,460	38,276	7,184
Water	36,000	60,259	(24,259)
Vehicle Fuels	57,000	44,266	12,734
Auto and Truck Expense	89,000	118,203	(29,203)
Sludge and Grit Removal	750,000	821,455	(71,455)
Safety Equipment Expense	18,000	16,137	1,863
Rental	8,000	6,235	1,765
Contract Labor - Building Maintenance	3,500	1,667	1,833
Chemicals	879,880	1,096,282	(216,402)
Fuel Oil	39,000	45,362	(6,362)
Maintenance Material - Plant Equipment	226,000	204,000	22,000
Total Dry Creek Treatment Plant Expenses	<u>\$ 7,680,547</u>	<u>\$ 7,760,661</u>	<u>\$ (80,114)</u>

See accompanying notes.

**SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL
OPERATION, MAINTENANCE, AND ADMINISTRATION
EASTERN REGIONAL RECLAMATION FACILITY
YEAR ENDED JUNE 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Expenses			
Salaries and Wages	\$ 395,968	\$ 386,746	\$ 9,222
Medical and Dental Self Insured Plan	110,080	95,780	14,300
Pension Plan	87,822	80,952	6,870
Payroll Taxes	30,292	28,149	2,143
Employee Benefits	6,841	7,735	(894)
Credit Charged to Capital Projects	(42,000)	(48,480)	6,480
Insurance and Bond	57,750	45,280	12,470
Professional and Contracted Services	58,900	29,801	29,099
Postage	200	-	200
Office and Operating Supplies	20,454	22,866	(2,412)
Travel and Certification	11,606	4,058	7,548
Operating Maintenance - Building Grounds	27,929	18,665	9,264
Subscriptions	400	329	71
Electric and Gas	325,200	324,400	800
Telephone and Radio	33,248	11,191	22,057
Water	5,000	5,120	(120)
Vehicle Fuels	15,000	10,499	4,501
Auto and Truck Expense	27,890	8,183	19,707
Sludge and Grit Removal	103,900	115,450	(11,550)
Safety Equipment Expense	5,300	5,704	(404)
Rental	1,000	-	1,000
Chemicals	90,153	75,035	15,118
Fuel Oil	4,940	-	4,940
Maintenance Material - Plant Equipment	110,000	73,709	36,291
Total Eastern Regional Reclamation Facility Expenses	<u>\$ 1,487,873</u>	<u>\$ 1,301,172</u>	<u>\$ 186,701</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, 2019

	<u>Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
Expenses			
Salaries and Wages	\$ 640,619	\$ 614,266	\$ 26,353
Medical and Dental Self Insured Plan	204,180	186,393	17,787
Pension Plan	142,428	129,652	12,776
Payroll Taxes	49,007	44,246	4,761
Employee Benefits	10,735	10,252	483
Credit Charged to Capital Projects	-	(1,800)	1,800
Insurance and Bond	88,500	80,845	7,655
Professional and Contracted Services	78,026	59,178	18,848
Postage	500	424	76
Office and Operating Supplies	34,752	38,455	(3,703)
Travel and Certification	5,226	2,995	2,231
Operating Maintenance - Building Grounds	35,716	44,170	(8,454)
Subscriptions	660	520	140
Contract Labor - Building Maintenance	2,040	-	2,040
Electric and Gas	750,000	810,483	(60,483)
Telephone and Radio	22,281	19,194	3,087
Water	3,060	666	2,394
Vehicle Fuels	3,497	3,969	(472)
Auto and Truck Expense	12,000	22,633	(10,633)
Sludge and Grit Removal	815,697	654,699	160,998
Safety Equipment Expense	8,000	4,460	3,540
Rental	3,000	1,111	1,889
SD1 Penalties and Fines Paid	2,000	-	2,000
Chemicals	89,783	100,081	(10,298)
Fuel Oil	5,668	2,132	3,536
Maintenance Material - Plant Equipment	95,500	182,879	(87,379)
Total Western Regional Reclamation Facility Expenses	\$ 3,102,875	\$ 3,011,903	\$ 90,972

See accompanying notes.

SANITATION DISTRICT NO. 1
 BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL
 OPERATION, MAINTENANCE, AND ADMINISTRATION
 COLLECTION SYSTEM
 YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Expenses			
Salaries and Wages	\$ 2,702,665	\$ 2,700,040	\$ 2,625
Medical and Dental Self Insured Plan	829,799	789,683	40,116
Pension Plan	592,618	562,219	30,399
Payroll Taxes	206,754	195,966	10,788
Employee Benefits	45,280	42,209	3,071
Credit Charged to Capital Projects	(808,746)	(815,684)	6,938
Insurance and Bond	575,000	477,761	97,239
Professional and Contracted Services	919,500	876,766	42,734
Postage	3,800	4,292	(492)
Office and Operating Supplies	12,447	9,482	2,965
Travel and Certification	17,708	18,123	(415)
Subscriptions	741	1,581	(840)
Telephone and Radio	53,512	34,729	18,783
Vehicle Fuels	115,583	126,784	(11,201)
Auto and Truck Expense	289,634	344,149	(54,515)
Sludge and Grit Removal	18,000	21,525	(3,525)
Safety Equipment Expense	20,746	22,401	(1,655)
Maintenance Material - Collection Systems	345,004	346,542	(1,538)
Private Lateral Program	300,000	190,660	109,340
Basement Backup Program	300,000	46,108	253,892
Total Collection System Expenses	\$ 6,540,045	\$ 5,995,336	\$ 544,709

See accompanying notes.

**SANITATION DISTRICT NO. 1
 BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL
 OPERATION, MAINTENANCE, AND ADMINISTRATION
 PUMP STATIONS / FIELD TECH
 YEAR ENDED JUNE 30, 2019**

	<u>Budget</u>	<u>Actual</u>	Variance with Final Budget (Unfavorable) Favorable
Expenses			
Salaries and Wages	\$ 785,864	\$ 797,244	\$ (11,380)
Medical and Dental Self Insured Plan	235,660	197,388	38,272
Pension Plan	171,994	164,150	7,844
Payroll Taxes	60,119	58,319	1,800
Employee Benefits	13,344	14,084	(740)
Credit Charged to Capital Projects	(32,700)	(55,263)	22,563
Insurance and Bond	155,500	123,716	31,784
Professional and Contracted Services	194,300	198,513	(4,213)
Office and Operating Supplies	21,300	14,465	6,835
Travel and Certification	13,500	13,451	49
Operating Maintenance - Building Grounds	27,000	43,898	(16,898)
Electric and Gas	1,650,933	1,896,763	(245,830)
Telephone and Radio	27,487	28,117	(630)
Water	22,256	22,781	(525)
Vehicle Fuels	30,000	37,183	(7,183)
Auto and Truck Expense	30,000	47,349	(17,349)
Sludge and Grit Removal	150,000	191,759	(41,759)
Safety Equipment Expense	8,500	8,178	322
SD1 Penalties and Fines Paid	-	30	(30)
Rental	59,168	50,499	8,669
Chemicals	1,581,177	1,672,196	(91,019)
Fuel Oil	10,500	11,133	(633)
Operating Maintenance - Pump Stations	200,000	190,868	9,132
Total Pump Stations/Field Tech Expenses	<u>\$ 5,415,902</u>	<u>\$ 5,726,821</u>	<u>\$ (310,919)</u>

See accompanying notes.

SANITATION DISTRICT NO. 1
 BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL
 OPERATION, MAINTENANCE, AND ADMINISTRATION
 OPERATIONS
 YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Expenses			
Salaries and Wages	\$ 1,107,944	\$ 1,055,045	\$ 52,899
Medical and Dental Self Insured Plan	260,077	188,174	71,903
Pension Plan	236,350	201,600	34,750
Payroll Taxes	84,758	77,732	7,026
Employee Benefits	10,772	11,222	(450)
Credit Charged to Capital Projects	-	(3,964)	3,964
Insurance and Bond	19,100	73,721	(54,621)
Professional and Contracted Services	279,401	183,706	95,695
Office and Operating Supplies	8,784	12,463	(3,679)
Travel and Certification	23,867	11,567	12,300
Operating Maintenance - Building Grounds	95,387	137,817	(42,430)
Subscriptions	5,370	1,967	3,403
Communications	10,540	32,976	(22,436)
Electric and Gas	117,088	114,668	2,420
Telephone and Radio	8,797	13,834	(5,037)
Water	20,667	20,153	514
Vehicle Fuels	7,578	4,463	3,115
Auto and Truck Expense	13,159	25,151	(11,992)
Safety Equipment Expense	397	785	(388)
Total Operations Expense	<u>\$ 2,310,036</u>	<u>\$ 2,163,080</u>	<u>\$ 146,956</u>

See accompanying notes.

SANITATION DISTRICT NO. 1
 BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL
 OPERATION, MAINTENANCE, AND ADMINISTRATION
 ENGINEERING
 YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget (Unfavorable) Favorable</u>
Expenses			
Salaries and Wages	\$ 1,048,177	\$ 1,071,164	\$ (22,987)
Medical and Dental Self Insured Plan	240,561	223,314	17,247
Pension Plan	229,661	221,098	8,563
Payroll Taxes	80,186	78,747	1,439
Employee Benefits	14,444	13,411	1,033
Credit Charged to Capital Projects	(376,377)	(559,007)	182,630
Insurance and Bond	80,500	79,026	1,474
Professional and Contracted Services	391,500	630,013	(238,513)
Legal Services	60,000	56,486	3,514
Postage	480	550	(70)
Office and Operating Supplies	9,808	8,120	1,688
Travel and Certification	8,929	4,581	4,348
Subscriptions	1,078	1,531	(453)
Telephone and Radio	10,798	13,844	(3,046)
Vehicle Fuels	14,712	13,341	1,371
Auto and Truck Expense	5,077	12,548	(7,471)
Safety Equipment Expense	3,397	71	3,326
Total Engineering Expenses	<u>\$ 1,822,931</u>	<u>\$ 1,868,838</u>	<u>\$ (45,907)</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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Expenses			
Salaries and Wages	\$ 3,147,409	\$ 2,969,317	\$ 178,092
Board of Directors	6,729	6,730	(1)
Medical and Dental Self Insured Plan	784,611	658,697	125,914
Pension Plan	674,640	607,183	67,457
Payroll Taxes	240,777	218,813	21,964
Employee Benefits	42,823	39,749	3,074
Unemployment Taxes	2,747	-	2,747
Credit Charged to Capital Projects	(262,150)	(364,982)	102,832
Insurance and Bond	50,200	33,383	16,817
Professional and Contracted Services	878,850	780,130	98,720
Legal Services	30,000	43,168	(13,168)
Bank Services	68,575	42,696	25,879
Auditing Services	8,011	7,990	21
Collection Agency Services	721	2,004	(1,283)
Postage	117,849	109,525	8,324
Office and Operating Supplies	85,818	67,147	18,671
Travel and Certification	48,090	34,048	14,042
Operating Maintenance - Building Grounds	32,113	40,191	(8,078)
Storm Water Program	40,000	32,001	7,999
Subscriptions	74,326	61,995	12,331
Communications	2,720	8,509	(5,789)
Legal Advertising	2,000	-	2,000
Electric and Gas	33,212	30,748	2,464
Telephone and Radio	55,047	48,158	6,889
Water	5,333	5,200	133
Vehicle Fuels	60,186	47,850	12,336
Auto and Truck Expense	112,065	108,837	3,228
Storm Water Facilities and Features	5,000	2,356	2,644
Safety Equipment Expense	15,115	8,520	6,595
Rental	-	1,296	(1,296)
Maintenance Material - Collection Systems	95,000	106,687	(11,687)
Culvert Cost Share Program	100,000	-	100,000
Technical Assistance Program	40,000	8,145	31,855
Assistance Cost Share Program	50,000	7,407	42,593
Total Storm Water Program Expenses	\$ 6,647,817	\$ 5,773,498	\$ 874,319

See accompanying notes.

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL
OPERATION, MAINTENANCE, AND ADMINISTRATION
ADMINISTRATION
YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	Variance with Final Budget (Unfavorable) Favorable
Expenses			
Salaries and Wages	\$ 2,232,308	\$ 2,265,642	\$ (33,334)
Board of Directors	22,671	22,670	1
Medical and Dental Self Insured Plan	504,137	474,280	29,857
Pension Plan	484,554	455,500	29,054
Payroll Taxes	170,772	162,848	7,924
Employee Benefits	28,636	33,467	(4,831)
Unemployment Taxes	9,253	-	9,253
Credit Charged to Capital Projects	-	(185)	185
Insurance and Bond	280,000	192,969	87,031
Professional and Contracted Services	786,940	489,301	297,639
Legal Services	120,000	46,284	73,716
Bank Services	231,025	219,029	11,996
Auditing Services	26,989	26,915	74
Collection Agency Services	2,429	6,752	(4,323)
Postage	396,351	368,959	27,392
Office and Operating Supplies	106,143	92,725	13,418
Travel and Certification	59,761	37,062	22,699
Subscriptions	56,589	68,521	(11,932)
Legal Advertising	10,000	9,968	32
Telephone and Radio	74,082	76,120	(2,038)
Vehicle Fuels	2,275	1,708	567
Auto and Truck Expense	2,853	4,017	(1,164)
Safety Equipment Expense	10,294	5,329	4,965
SD1 Penalties and Fines Paid	3,000	1,201	1,799
Rental	29,400	38,035	(8,635)
	<u>5,650,462</u>	<u>5,099,117</u>	<u>551,345</u>
Total Administration Expenses			
	<u>5,650,462</u>	<u>5,099,117</u>	<u>551,345</u>
Total Operation, Maintenance, and Administration Expenses	<u>\$ 40,658,488</u>	<u>\$ 38,700,426</u>	<u>\$ 1,958,062</u>
Reconciliation of Budget to Actual to the Statements of Revenues, Expenses, and Changes in Net Position			
General Revenues		\$ 109,017,581	
Operating, Maintenance, and Administrative Expenses		(38,700,426)	
Major Repair Expenses		(1,814,545)	
Depreciation		<u>(40,317,009)</u>	
Net Operating Income		<u>\$ 28,185,601</u>	

See accompanying notes.

STATISTICAL SECTION

STATISTICAL SECTION NARRATIVE

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

<u>CONTENTS:</u>	<u>PAGE</u>
<i>Financial Trends:</i>	92 – 98
These schedules contain trend information to help readers understand how SD1's financial performance and position have changed over time. These schedules include adjustments for the implementation of GASB 65, GASB 68, and GASB 75 for only the years presented during the year of implementation.	
<i>Revenue Capacity:</i>	99 – 102
These schedules contain information to help readers assess SD1's most significant revenue sources.	
<i>Debt Service Coverage:</i>	103 – 105
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.	
<i>Demographic and Economic Information:</i>	106 – 110
These schedules provide information about the environment in which SD1 operates.	
<i>Operating Information:</i>	111 – 112
These schedules contain operating information related to SD1's infrastructure, assets and services provided.	

Sources: *Unless otherwise noted, the information in these statistical schedules is from the annual financial reports for the relevant years.*

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Assets and Deferred Outflow of Resources										
Current Assets										
Cash and Cash Equivalents	\$ 7,352,683	\$ 9,464,625	\$ 19,058,529	\$ 32,688,855	\$ 38,748,615	\$ 45,131,172	\$ 54,193,357	\$ 62,802,884	\$ 80,813,023	\$ 100,242,692
Investments	6,693,573	-	-	-	-	-	-	-	-	-
Accounts Receivable										
Customers, net of allowance	6,201,544	10,108,461	11,031,115	10,257,908	9,952,571	10,138,377	9,014,025	8,546,145	9,078,639	8,749,473
Communities	13,728	20,731	24,634	12,068	14,484	14,450	13,506	12,231	13,361	11,638
KIA loan receivable	11,555,668	6,840,435	4,235,102	1,204,334	274,991	-	-	-	-	-
Others	4,269,523	3,834,336	3,741,641	4,004,172	4,011,851	3,750,928	4,246,702	4,339,856	3,629,261	3,451,082
Due from other fund	6,998,795	7,302,667	11,461,121	14,313,218	-	-	-	-	-	-
Accrued unbilled charges	8,698,483	9,615,400	9,198,409	9,344,329	8,800,840	9,615,950	10,053,930	10,853,130	11,022,325	11,069,670
Prepays and deposits	619,705	637,983	598,152	1,363,240	695,557	765,888	703,728	894,254	929,123	910,011
Accrued interest income	28,238	27,324	15,778	13,980	28,170	22,208	26,267	34,001	34,473	36,839
Total Current Assets	34,331,940	47,951,862	59,354,469	73,202,165	63,527,279	69,438,953	78,251,515	87,262,591	105,520,205	125,471,405
Noncurrent Assets										
Restricted Assets										
Cash	51,090,511	32,583,239	19,577,385	11,598,453	7,099,462	3,633,295	2,386,227	999,364	1,916,051	2,686,941
Investments	73,766,771	80,747,804	82,813,373	83,424,890	84,756,917	85,017,276	83,531,917	83,375,441	81,381,605	78,485,253
Accrued interest	206,456	162,673	152,282	108,183	124,195	130,370	161,677	220,016	243,323	212,416
Prepaid items	59,708	98,519	49,354	189	-	-	-	-	-	-
Total Restricted Assets	125,123,446	113,592,035	102,692,374	95,129,714	91,980,574	88,780,931	86,059,821	84,595,821	83,540,979	79,384,510
Receivables										
Assessments	1,849,302	1,738,719	1,644,648	1,555,201	1,470,191	1,380,740	1,321,474	1,254,547	1,200,981	835,386
Improvement notes	5,525	5,443	5,130	5,130	5,130	5,130	5,130	5,130	5,130	-
Total Receivables	1,854,827	1,744,162	1,649,779	1,560,331	1,475,321	1,385,870	1,326,604	1,259,677	1,206,111	835,386
Capital Assets										
Land	12,044,458	15,031,043	15,203,408	15,387,159	15,414,160	15,845,697	16,140,009	16,580,650	17,546,769	18,578,720
Building, Systems, Equipment, and Vehicles	1,065,271,271	1,333,571,611	1,390,132,192	1,443,001,679	1,461,709,177	1,485,535,837	1,509,064,756	1,532,787,878	1,580,416,295	1,598,425,537
Construction in progress	250,483,024	50,114,830	41,833,765	8,030,328	12,613,622	11,444,632	11,914,610	18,309,156	17,430,531	12,151,572
Less: accumulated depreciation	(340,156,122)	(275,551,547)	(312,805,206)	(347,835,200)	(388,548,850)	(424,805,548)	(462,048,715)	(500,137,767)	(537,838,619)	(575,835,165)
Total Capital Assets	1,087,642,631	1,123,165,940	1,134,364,159	1,118,583,966	1,103,188,309	1,086,020,618	1,075,070,660	1,087,540,117	1,057,556,976	1,051,320,664
Total Noncurrent Assets	1,214,620,604	1,238,502,143	1,238,408,312	1,215,274,011	1,196,644,204	1,178,187,419	1,162,457,085	1,153,395,815	1,142,304,066	1,131,540,560
Total Assets	1,268,952,844	1,286,454,005	1,297,762,781	1,288,476,115	1,260,171,483	1,247,626,372	1,240,708,600	1,240,678,116	1,247,824,271	1,257,011,965
Deferred Outflow of Resources										
Deferred Outflows Related to Pension	-	-	-	2,447,181	1,698,697	4,556,240	5,944,107	10,331,047	6,344,987	7,251,778
Deferred Outflows Related to OPEB	-	-	-	-	-	-	830,915	2,994,036	2,570,546	3,225,882
Deferred Loss on Refundings	4,722,311	4,071,573	3,458,584	2,904,792	2,419,274	1,993,406	9,681,318	8,362,649	9,849,739	6,535,607
Total Deferred Outflow of Resources	4,722,311	4,071,573	3,458,584	5,351,973	4,117,971	6,549,646	13,258,340	19,687,728	14,865,252	17,013,265
Total Assets and Deferred Outflow of Resources	\$ 1,273,675,155	\$ 1,290,525,578	\$ 1,301,219,345	\$ 1,293,828,089	\$ 1,264,289,454	\$ 1,254,176,018	\$ 1,253,964,940	\$ 1,260,365,844	\$ 1,262,789,523	\$ 1,274,025,230

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Liabilities and Deferred Inflow of Resources										
Current Liabilities										
Bond indebtedness	\$ 10,815,000	\$ 11,115,000	\$ 11,430,000	\$ 11,770,000	\$ 12,140,000	\$ 12,545,000	\$ 15,234,259	\$ 15,442,759	\$ 12,821,480	\$ 13,556,997
Notes Payable	1,571,658	1,868,517	7,008,249	8,377,235	7,158,744	7,375,823	7,508,790	7,640,534	8,225,469	8,541,534
Accounts payable	19,108,718	14,378,782	9,843,083	8,208,453	6,228,639	4,644,185	6,714,215	5,458,450	7,087,218	7,027,539
Accrued payroll and benefits	558,386	847,174	784,074	872,739	905,503	887,085	1,031,245	1,053,226	1,081,829	436,851
Accrued Interest Payable	8,671,851	8,350,350	8,230,475	8,085,295	7,927,725	7,730,150	7,061,301	6,827,681	6,579,611	5,263,707
Accrued taxes and pension	425	(104)	2,772	11,008	(24)	(176)	1,168	3,715	(838)	186,288
Compensated Absences	311,802	303,127	342,729	342,242	315,970	315,335	322,350	297,652	258,382	251,938
Due to other fund	6,888,795	7,302,687	11,461,121	14,313,219	-	-	-	-	-	-
Communities	346	733	156	47	47	-	-	-	-	-
Other liabilities	78,201	67,578	45,183	31,076	74,823	187,636	142,544	141,785	140,710	87,407
Customer deposits and other	-	-	-	-	-	-	-	-	-	-
Sales tax payable	(450)	-	47,590	81	102	(643)	150,386	35,713	30,886	-
Total Current Liabilities	48,014,712	44,031,804	49,205,412	48,021,375	54,751,829	53,744,395	58,164,156	58,001,515	56,225,756	55,382,261
Long-Term Liabilities (Net of Current Portion)										
Bonds payable, net of amortization	400,125,987	388,323,286	378,143,277	365,369,937	353,243,540	339,745,207	324,620,158	308,177,399	288,338,343	284,191,063
Notes payable	101,353,944	134,708,581	145,780,518	147,034,138	140,802,284	135,508,862	128,217,631	123,770,948	115,610,280	107,208,167
Compensated Absences	555,952	540,485	611,096	610,228	563,384	562,252	574,780	642,231	739,949	893,874
Net pension liability	-	-	-	20,730,248	18,320,686	24,340,276	26,833,461	31,661,594	32,157,114	36,394,880
Net OPEB liability	-	-	-	-	-	8,529,478	8,529,478	10,874,302	9,374,446	8,702,115
Total Noncurrent Liabilities	502,035,883	523,572,352	525,544,889	534,744,951	512,929,874	508,683,875	489,775,488	476,126,474	454,520,132	437,300,069
Total Liabilities	550,050,595	567,604,156	574,750,301	582,765,926	547,681,503	542,428,270	527,939,644	513,027,989	490,745,888	472,772,360
Deferred Inflow of Resources										
Deferred inflows Related to Pension	-	-	-	-	2,045,032	-	585,983	3,348,910	1,452,761	1,370,109
Deferred inflows Related to OPEB	-	-	-	-	-	-	-	589,347	1,068,323	3,408,605
Total Deferred Inflow of Resources	-	-	-	-	2,045,032	-	585,983	3,918,257	3,451,074	4,778,714
Total Liabilities and Deferred Inflow of Resources	550,050,595	567,604,156	574,750,301	582,765,926	549,726,535	542,428,270	528,505,627	516,946,246	494,196,962	477,551,074
Net Assets (Position)										
Net investment in capital assets	578,498,373	591,224,155	594,450,681	589,937,448	582,259,535	594,841,332	605,173,140	617,871,122	630,311,143	644,358,510
Restricted for:										
Debt service funds, net of current liabilities	49,488,075	49,114,073	49,231,611	49,333,440	50,453,417	50,870,334	46,973,964	48,802,255	46,027,233	40,087,219
Operations, infrastructure, & insurance reserves	24,849,919	31,892,577	33,582,825	34,202,584	34,427,560	34,277,222	34,719,619	34,794,202	35,597,695	36,610,450
Capital improvement/programs	49,752,990	31,848,215	19,083,723	10,657,785	6,161,866	2,683,670	1,416,270	36,750	933,098	1,475,368
Other purposes	1,021,462	947,170	514,215	939,102	937,711	949,705	949,968	982,614	882,955	1,211,473
Unrestricted	28,002,761	18,105,252	29,025,989	25,991,804	30,317,310	28,125,485	34,226,352	40,352,655	54,740,430	72,731,136
Total Net Assets (Position)	723,624,580	727,921,442	728,488,044	711,082,163	714,557,419	711,747,748	725,459,313	743,419,588	768,592,581	796,474,156
Total Liabilities and Net Position	\$ 1,273,675,155	\$ 1,290,525,578	\$ 1,304,219,345	\$ 1,293,828,089	\$ 1,264,283,954	\$ 1,254,176,018	\$ 1,253,984,940	\$ 1,260,365,844	\$ 1,262,788,523	\$ 1,274,025,230

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Operating Revenues										
Sewer Service Charges	\$ 61,887,891	\$68,369,740	\$73,562,515	\$74,221,151	\$76,583,543	\$75,730,322	\$79,746,166	\$84,312,915	\$88,772,462	\$93,494,058
Storm Water Charges	11,091,977	11,388,734	11,751,183	11,899,106	12,405,055	12,745,499	12,965,299	13,118,077	13,604,462	13,647,164
Permits and Tap-In Fees	2,283,388	1,765,957	2,340,792	3,173,486	3,117,162	3,566,331	3,848,229	3,501,783	3,791,979	4,312,269
Sludge Hauling	144,505	147,409	120,776	84,480	72,692	101,821	274,630	401,941	914,722	717,245
Inspections	33,416	69,300	69,682	74,348	177,073	217,454	158,531	173,623	217,307	266,058
Penalties and Fines	1,332,674	1,431,386	1,581,774	1,573,674	1,619,161	1,502,174	1,466,407	1,418,173	1,415,881	934,458
Contractual Services	137,694	141,038	125,689	128,752	132,614	136,592	140,689	160,732	136,004	158,882
Bad Debt Recoveries	35,355	19,097	35,392	21,873	70,916	138,003	50,134	25,135	18,823	19,111
Other Revenues	7,017	69,044	60,993	33,287	230,623	297,083	325,918	32,021	84,313	127,903
Project Reimbursements	1,442,406	549,579	68,321	1,450,000	53,274	-	-	131,856	61,628	(289,578)
Total Operating Revenues	78,396,323	63,951,284	89,707,117	92,660,157	94,462,113	94,436,079	98,976,003	103,278,256	109,017,581	113,387,570
Operating Expenses										
Operation, Maintenance and Administration										
Salary and Wages	7,666,779	7,875,727	10,392,734	11,423,914	11,545,248	11,657,207	12,215,331	12,102,154	12,142,502	12,660,990
Employee Benefit & Incentive Expenses	5,776,673	6,828,400	7,539,280	7,046,809	8,160,719	7,934,077	8,710,860	7,745,153	7,518,863	7,675,871
Professional and Contractual Services	3,063,454	3,778,654	5,216,895	4,918,068	6,080,769	6,142,324	6,281,104	5,812,174	5,155,245	5,297,258
Office Administration Expenses	1,434,543	1,742,980	1,903,439	1,759,589	1,895,657	1,777,837	1,661,077	1,682,284	1,707,261	1,578,958
Utilities, Fuel Oil & Chemicals Expense	7,316,763	7,362,096	7,685,268	7,311,989	7,403,662	6,999,416	7,179,355	7,348,041	7,861,165	7,616,315
Vehicle Operation Expenses	1,163,239	1,275,021	1,087,065	1,068,097	983,314	885,648	824,241	847,695	981,160	841,792
Infrastructure, Equipment and Other Expens	1,997,122	2,355,828	2,760,362	2,824,155	2,818,327	3,192,058	3,104,240	3,333,148	3,334,240	3,777,839
Supplemental/State Environmental Projects	202,182	61,218	-	1,924	-	-	-	-	-	-
Total Operation, Maintenance and Administrati	28,620,755	31,080,924	36,544,843	36,364,545	38,897,696	38,588,567	39,976,208	38,870,649	38,700,426	39,449,023
Major Repairs and Other	6,172,970	4,912,935	4,495,306	1,291,040	1,414,072	1,720,103	876,520	429,175	1,814,545	2,033,349
Depreciation	36,621,695	38,424,118	39,062,492	39,519,391	39,662,425	39,578,854	39,616,114	39,965,919	40,317,009	40,869,031
Total Operating Expenses	71,415,420	74,417,977	80,102,641	77,164,975	79,974,193	79,887,524	80,468,842	79,265,743	80,831,980	82,351,403
Operating Income	6,980,903	9,533,307	9,604,476	15,495,182	14,487,921	14,547,555	18,507,161	24,010,513	28,185,601	31,036,167

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Non-Operating Income (Expense)										
Interest Income	\$ 1,272,736	\$ 723,911	\$ 831,632	\$ 567,152	\$ 886,943	\$ 906,611	\$ 1,264,451	\$ 1,777,381	\$ 2,917,957	\$ 2,574,891
Interest on Long-Term Debt	(16,025,760)	(18,254,771)	(19,331,456)	(20,828,408)	(20,658,530)	(20,096,326)	(16,836,216)	(16,091,496)	(15,675,211)	(12,328,896)
Bond Issuance Cost	(255,805)	(395,549)	(43,097)	(44,515)	(46,031)	(47,182)	(835,292)	-	-	(770,627)
Federal Credits on Build America Bonds	3,853,736	3,805,632	3,590,813	3,530,769	3,435,087	3,406,317	3,353,778	3,303,372	3,251,747	1,512,972
Families First Coronavirus Response Act Cred	-	-	-	-	-	-	-	-	-	150,007
Loss on Disposal of Capital Assets	(2,411,613)	(2,392,458)	(1,810,778)	(1,105,803)	(323,186)	(407,480)	(160,790)	(202,205)	(264,890)	(229,512)
Pension Expense	-	-	-	-	(385,954)	(1,115,015)	(1,671,301)	(3,224,119)	(2,585,443)	(3,248,315)
Other Postemployment Benefits Expense (Rev)	-	-	-	-	-	-	630,915	(551,050)	(352,610)	(82,615)
Net Appreciation in Fair Market Value of Invest	(443,536)	286,941	(486,536)	165,073	68,787	287,462	(655,619)	(603,600)	1,099,877	678,051
Total Non-Operating Income (Expense)	(14,010,242)	(16,226,094)	(17,248,422)	(17,716,732)	(17,222,894)	(17,065,613)	(14,910,074)	(15,591,717)	(11,608,573)	(11,746,044)
Change in Net Position Before Capital Contributions	(7,029,339)	(6,692,787)	(7,644,946)	(2,220,551)	(2,734,964)	(2,518,058)	3,697,087	8,418,796	16,677,028	19,290,123
Capital Contributions	103,871,701	5,989,648	14,468,617	5,331,548	6,230,218	8,237,866	10,114,478	9,541,489	8,595,935	8,591,472
Change in Net Position	\$ 86,842,362	\$ (703,139)	\$ 6,823,671	\$ 3,110,988	\$ 3,495,255	\$ 5,719,808	\$ 13,711,565	\$ 17,960,285	\$ 25,172,963	\$ 27,881,595

Sanitation District No. 1
Cash Flows
Last Ten Fiscal Years

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Cash Flow from Operating Activities										
Received From Customers	\$ 71,358,359	\$ 81,151,762	\$ 85,138,804	\$ 90,177,399	\$ 94,263,021	\$ 94,695,120	\$ 99,167,545	\$ 103,053,057	\$ 108,826,357	\$ 113,164,387
Paid to Suppliers for Goods and Services	(25,862,095)	(19,991,822)	(22,699,507)	(20,071,035)	(20,919,150)	(22,866,427)	(17,581,717)	(21,014,142)	(19,285,807)	(21,260,262)
Paid to or on Behalf of Employees for Services	(13,974,524)	(13,629,679)	(17,013,644)	(17,776,165)	(19,142,826)	(16,536,538)	(20,841,173)	(10,780,802)	(19,577,869)	(20,648,246)
Net Cash Provided by Operating Activities	31,521,740	47,330,261	45,426,653	52,330,199	54,221,245	53,292,155	60,744,655	82,258,913	69,981,890	71,255,879
Cash Flows from Capital and Related Financing Activities										
Principal Received on Notes and Bonds	139,316,551	39,953,916	20,938,245	10,003,959	2,513,642	2,359,212	1,217,757	2,193,852	585,651	
Federal Credits on Build America Bonds	3,853,736	3,805,832	3,590,813	3,530,769	3,452,910	3,405,316	3,353,778	3,303,372	3,251,747	1,512,972
Proceeds from Sale of Capital Assets	18,195	203,895	223,786	83,100	140,528	22,420	229,710	62,010	17,359	71,578
Bond Issuance Costs	-	-	-	-	-	-	(835,282)	-	-	-
Payments Made on Long Term Debt	(50,903,395)	(12,514,188)	(13,124,245)	(17,790,582)	(18,804,695)	(19,298,744)	(19,275,821)	(20,001,791)	(20,841,384)	(18,921,048)
Proceeds on Bond Refunding	-	-	-	-	-	-	141,450,636	-	-	-
Interest Paid, Net of Capitalized Interest	(15,293,072)	(19,008,783)	(19,907,475)	(21,457,672)	(21,369,509)	(20,872,047)	(20,847,960)	(13,267,184)	(18,090,710)	(15,758,059)
Acquisition and Construction of Capital Assets, Net of Contributed Capital	(103,723,075)	(70,554,138)	(37,826,653)	(19,596,553)	(18,500,262)	(16,803,198)	(16,824,092)	(23,156,102)	(22,020,182)	(26,342,337)
Principal Received on Assessments	-	-	-	-	-	-	59,266	88,927	53,566	55,831
Assessment Interest Income	-	-	-	-	-	-	39,804	38,247	37,599	34,504
(Increase)/Decrease in Restricted Funds	130,471	(6,390,514)	(1,234,298)	(1,185,576)	515,580	(319,435)	-	-	-	-
Net Cash Used by Capital and Related Financing Activities	(26,000,589)	(64,493,980)	(47,339,787)	(46,412,549)	(52,051,776)	(51,309,476)	(52,432,214)	(50,762,669)	(57,006,354)	(59,346,759)
Cash Flows From Non-Capital and Related Financing Activities										
Families First Coronavirus Response Act Credits	-	-	-	-	-	-	-	-	-	150,007
Cash Flows from Investing Activities										
Investment Income	1,332,715	789,608	853,569	613,049	656,740	908,398	545,624	782,270	1,590,001	2,610,940
Proceeds from the Sale of Investments	-	-	-	-	-	-	5,312,777	16,829,301	21,804,760	43,139,947
Purchase of Investments	-	-	-	-	-	-	(6,175,715)	(21,865,151)	(17,243,471)	(37,809,555)
Net (Increase)/Decrease on Investments	(10,283,953)	(319)	(2,352,305)	(640,444)	(1,263,240)	27,103	-	-	-	-
Net Cash (Used) Provided by Investing Activities	(8,951,238)	788,289	(1,498,736)	(33,395)	(606,500)	933,501	(517,314)	(4,253,580)	5,951,290	8,141,332
Increase (Decrease) in Cash and Cash Equivalents	(4,030,087)	(16,395,430)	(3,411,870)	5,884,225	1,562,969	2,916,180	7,795,127	7,242,664	18,926,826	20,200,459
Cash and Cash Equivalents Beginning of Year	62,238,470	58,208,383	41,812,953	38,401,083	44,285,308	45,848,277	48,764,457	56,559,584	63,802,248	82,729,074
Cash and Cash Equivalents End of Year	\$ 58,208,383	\$ 41,812,953	\$ 38,401,083	\$ 44,285,308	\$ 45,848,277	\$ 48,764,457	\$ 56,559,584	\$ 63,802,248	\$ 82,729,074	\$ 102,929,533

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Capital Assets Not Depreciated										
Land/Easements	\$ 12,020,310	\$ 14,821,314	\$ 14,736,419	\$ 14,859,087	\$ 14,859,088	\$ 15,125,874	\$ 15,278,071	\$ 15,567,581	\$ 16,310,617	\$ 16,861,694
Construction in Progress	242,538,861	46,654,791	40,814,300	6,786,209	9,836,020	8,884,565	8,445,318	13,592,546	15,880,010	11,453,397
Total Capital Assets Not Depreciated	254,557,171	61,276,105	55,550,619	21,145,295	24,695,116	24,110,229	23,723,389	29,160,137	31,390,627	28,415,091
Capital Assets being depreciated										
Land Improvements	3,130,238	3,224,918	3,249,750	3,249,750	3,249,751	3,249,751	3,988,902	4,271,907	4,615,156	4,713,013
Collection System	456,348,371	623,052,698	649,183,792	862,016,791	670,488,000	679,709,357	693,395,908	705,809,193	718,449,853	739,639,821
Pump Stations	73,392,485	72,614,473	83,128,922	91,447,112	92,650,350	97,798,125	98,210,442	98,977,593	101,489,875	103,233,051
Treatment and Disposal	148,165,179	235,726,818	237,671,535	262,857,645	263,781,508	263,994,437	264,269,388	264,661,708	264,780,931	265,719,629
General Buildings & Structures	29,954,485	29,965,363	30,028,238	30,028,238	30,028,238	30,028,238	30,028,238	30,096,796	30,098,796	30,100,161
Office Furniture & Equipment	8,853,265	7,016,020	7,214,182	7,209,897	7,322,866	7,571,418	7,742,850	7,842,167	8,023,898	8,364,515
Machinery & Equipment	3,052,184	3,520,150	4,051,862	5,002,506	5,455,002	5,538,344	5,381,879	5,088,102	5,648,769	6,564,107
Vehicles & Accessories	8,451,349	9,361,895	9,697,562	9,822,479	9,747,902	9,753,125	9,852,228	9,731,079	8,730,255	5,797,122
Software Model Development	15,493,371	15,908,870	15,908,870	15,908,870	15,908,868	15,908,869	15,908,869	15,908,869	15,908,869	15,908,868
Total Capital Assets Being Depreciated	744,840,907	1,000,391,208	1,040,134,813	1,087,543,288	1,098,839,466	1,113,551,865	1,127,776,883	1,141,767,404	1,157,742,500	1,182,048,288
Total Capital Assets	\$ 999,398,078	\$ 1,061,667,311	\$ 1,095,685,232	\$ 1,108,698,583	\$ 1,123,334,602	\$ 1,137,661,894	\$ 1,151,500,072	\$ 1,170,927,541	\$ 1,189,133,127	\$ 1,210,453,370
Less Accumulated Depreciation										
Land Improvements	(1,358,578)	(1,477,798)	(1,591,572)	(1,835,696)	(1,679,858)	(1,724,145)	(1,786,574)	(1,891,584)	(1,883,872)	(2,000,452)
Collection System	(102,850,841)	(113,355,140)	(125,774,905)	(138,498,498)	(151,767,136)	(165,176,207)	(178,828,652)	(192,159,290)	(208,011,244)	(219,757,337)
Pump Stations	(27,382,032)	(28,693,838)	(31,526,428)	(33,571,403)	(37,884,201)	(41,952,508)	(46,447,420)	(50,812,132)	(54,114,514)	(57,845,763)
Treatment and Disposal	(51,539,807)	(55,643,376)	(60,692,552)	(65,081,274)	(70,564,654)	(76,142,502)	(82,018,599)	(87,806,209)	(93,749,800)	(99,556,707)
General Buildings & Structures	(9,955,759)	(11,008,015)	(12,051,638)	(13,095,891)	(14,140,146)	(15,039,391)	(15,541,233)	(16,055,913)	(16,571,791)	(17,077,663)
Office Furniture & Equipment	(5,435,284)	(5,620,825)	(5,755,378)	(5,807,818)	(6,054,188)	(6,211,401)	(6,447,209)	(6,593,159)	(6,861,418)	(7,167,782)
Machinery & Equipment	(2,190,830)	(2,493,010)	(2,829,882)	(3,195,826)	(3,594,893)	(4,041,990)	(3,972,588)	(4,178,933)	(4,345,320)	(4,547,483)
Vehicles & Accessories	(6,205,755)	(6,875,711)	(7,831,498)	(8,055,730)	(8,407,105)	(8,894,194)	(8,398,025)	(8,474,171)	(8,521,785)	(8,376,339)
Software Model Development	(11,254,166)	(14,740,868)	(15,699,700)	(15,839,493)	(15,908,869)	(15,908,869)	(15,908,869)	(15,908,869)	(15,908,869)	(15,908,869)
Total Accumulated Depreciation	(218,173,182)	(239,808,382)	(263,654,551)	(284,858,629)	(310,001,050)	(335,091,187)	(359,149,169)	(383,880,260)	(407,868,611)	(432,238,415)
Total Capital Assets, Net	\$ 781,224,927	\$ 821,758,929	\$ 832,130,680	\$ 823,828,954	\$ 813,333,552	\$ 802,570,707	\$ 792,350,903	\$ 787,047,281	\$ 781,164,516	\$ 778,216,864

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Capital Assets Not Depreciated										
Land/Easements	\$ 24,147	\$ 409,729	\$ 466,990	\$ 528,073	\$ 555,072	\$ 720,023	\$ 861,938	\$ 1,013,259	\$ 1,236,152	\$ 1,617,026
Construction in Progress	7,846,163	3,400,048	1,019,566	1,744,120	2,777,794	2,460,077	3,469,292	4,716,610	2,350,521	698,175
Total Capital Assets Not Depreciated	7,970,310	3,809,777	1,486,556	2,272,192	3,332,866	3,180,100	4,331,230	5,729,869	3,586,673	2,315,201
Capital Assets being depreciated										
Collection System	316,944,265	327,535,247	344,296,322	349,713,097	357,317,547	366,212,311	375,456,019	385,148,469	396,792,114	408,493,635
Machinery & Equipment	-	-	56,096	47,634	54,485	74,201	103,041	118,881	128,577	136,510
Vehicles & Accessories	-	-	-	52,500	52,499	52,499	83,853	109,944	109,944	109,944
Software Model Development	5,486,100	5,645,160	5,645,180	5,645,160	5,645,160	5,645,160	5,645,160	5,645,160	5,645,160	5,645,160
Total Capital Assets Being Depreciated	320,430,365	333,180,406	349,997,578	355,458,391	363,069,691	371,984,171	381,288,073	391,020,474	402,673,795	414,385,249
Total Capital Assets	\$ 328,400,675	\$ 337,050,183	\$ 351,484,133	\$ 357,730,583	\$ 366,402,557	\$ 375,164,271	\$ 385,616,303	\$ 396,760,343	\$ 406,262,468	\$ 416,700,450
Less accumulated depreciation										
Collection System	\$ (19,078,479)	(31,796,566)	(44,681,003)	(57,675,238)	(70,871,373)	(84,020,968)	(97,132,324)	(110,471,189)	(124,065,774)	(137,776,024)
Machinery & Equipment	-	-	(4,021)	(5,486)	(10,566)	(17,008)	(48,890)	(58,226)	(69,650)	(82,407)
Vehicles & Accessories	-	-	-	(10,207)	(20,701)	(31,224)	(73,072)	(82,932)	(89,424)	(93,159)
Software Model Development	(2,903,491)	(3,846,800)	(4,565,630)	(5,294,650)	(5,645,160)	(5,645,160)	(5,645,160)	(5,645,160)	(5,645,160)	(5,645,160)
Total Accumulated Depreciation	(21,982,970)	(35,643,366)	(49,250,634)	(62,975,571)	(76,547,800)	(89,714,360)	(102,899,546)	(116,257,507)	(129,870,008)	(143,598,750)
Total Capital Assets, Net	\$ 306,417,705	\$ 301,407,017	\$ 302,233,479	\$ 294,755,012	\$ 289,854,757	\$ 285,449,911	\$ 282,716,757	\$ 280,492,836	\$ 276,392,460	\$ 273,103,700

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

	Fiscal Year																			
	2011		2012		2013		2014		2015		2016		2017		2018		2019		2020	
	Rate	%	Rate	%	Rate	%	Rate	%	Rate	%	Rate	%	Rate	%	Rate	%	Rate	%	Rate	%
Non-Residential (1)																				
Water Usage																				
in 100 Cubic Feet (HCF)																				
0-1,700	5.06	15%	5.82	15%	6.69	15%	6.69	0%	7.02	5%	7.02	0%	7.37	5%	7.73	5%	8.11	5%	8.51	5%
1,701-6,400	4.54	15%	5.22	15%	6.00	15%	6.00	0%	6.30	5%	6.30	0%	6.61	5%	6.94	5%	7.28	5%	7.64	5%
Over 6,400	3.51	15%	4.04	15%	4.65	15%	4.65	0%	4.88	5%	4.88	0%	5.12	5%	5.37	5%	5.63	5%	5.91	5%
Monthly minimum bill	10.12	15%	11.64	15%	13.38	15%	13.38	0%	14.04	5%	14.04	0%	14.74	5%	15.46	5%	16.22	5%	17.02	5%
Residential (2)																				
Water Usage																				
in 100 Cubic Feet (HCF)																				
Base Rate	n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a	16.00
Variable Rate	n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a	7.25
Environmental Surcharge	n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a	5.00
Flat rate per 100 Cubic Feet (HCF)	5.06	15%	5.82	15%	6.69	15%	6.69	0%	7.02	5%	7.02	0%	7.37	5%	7.73	5%	8.11	5%	n/a	
Monthly minimum bill	10.12	15%	11.64	15%	13.38	15%	13.38	0%	14.04	5%	14.04	0%	14.74	5%	15.46	5%	16.22	5%	21.00	29%
Unmetered Service																				
1 or 2 room house	15.12	15%	17.39	15%	20.00	15%	20.00	0%	21.00	5%	21.00	0%	22.05	5%	23.15	5%	24.30	5%	25.51	5%
3 to 6 room house	24.63	15%	28.55	15%	32.84	15%	32.84	0%	34.48	5%	34.48	0%	36.20	5%	38.01	5%	39.91	5%	41.80	5%
More than 6 rooms	32.84	15%	37.77	15%	43.43	15%	43.43	0%	45.60	5%	45.60	0%	47.88	5%	50.27	5%	52.78	5%	55.41	5%

(1) Based on monthly metered water usage.

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

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

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

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

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

Source: SD1 accounting records.

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

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

	Fiscal Year									
	2016		2017		2018		2019		2020	
Monthly Rate Per ERU	5.04	0.0%	5.04	0.0%	5.04	0.0%	5.04	0.0%	5.04	0.0%
Quarterly Rate Per ERU	15.12	0.0%	15.12	0.0%	15.12	0.0%	15.12	0.0%	15.12	0.0%

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

Source: SD1 accounting records

Sanitation District No. 1
Sewer & Storm Water Revenues Breakdown By Billing Class
Fiscal Year 2011 through Fiscal Year 2020

<u>Account Name</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Fiscal Year 2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Sewer Service Revenues										
Residential Class	\$ 33,987,557	\$ 38,916,405	\$ 40,985,970	\$ 41,300,486	\$ 43,019,252	\$ 42,189,429	\$ 44,543,360	\$ 46,921,754	\$ 49,511,050	\$ 51,353,121
Non-Residential Class	25,182,674	28,057,913	31,467,481	31,042,183	32,419,163	32,478,944	34,499,155	35,837,824	37,565,671	39,809,737
Less: Special Meter Refunds	(364,411)	(466,147)	(750,438)	(449,965)	(558,031)	(549,176)	(553,822)	(377,293)	(488,906)	(410,613)
Total Sewer Revenues	58,805,820	66,508,171	71,703,013	71,892,717	74,880,384	74,110,197	78,488,693	82,482,285	86,500,816	90,752,245
Sewer Service Penalties										
Residential Class	851,939	979,052	1,066,267	1,099,704	1,163,565	1,076,486	1,042,725	998,659	993,641	629,083
Non-Residential Class	300,463	270,058	310,258	275,121	258,129	230,315	246,169	238,989	226,913	183,069
Total Sewer Service Penalties	1,152,402	1,249,110	1,376,525	1,374,825	1,421,694	1,306,801	1,288,894	1,237,648	1,220,554	812,152
Total Sewer Service Write Offs	(1,175,977)	(1,100,084)	(1,266,550)	(1,408,117)	(1,386,469)	(1,213,502)	(1,087,238)	(988,232)	(524,209)	(520,941)
Percentage of Write Off's to Revenues & Penalties Billed	1.96%	1.62%	1.76%	1.92%	1.82%	1.61%	1.38%	1.18%	0.60%	0.57%
Net Sewer Service Revenues	\$ 58,782,245	\$ 66,658,197	\$ 71,792,988	\$ 71,859,425	\$ 74,915,609	\$ 74,212,436	\$ 78,690,351	\$ 82,733,902	\$ 87,286,160	\$ 91,043,457
Storm Water Revenues										
Residential Class	4,605,646	4,728,292	4,873,021	4,974,835	5,214,488	5,239,075	5,293,698	5,362,028	5,359,996	5,387,240
Non-Residential Class	6,589,598	6,780,700	7,027,579	7,148,678	7,482,093	7,643,149	7,816,638	8,021,471	8,345,718	8,422,845
Total Storm Water Revenues	11,195,244	11,508,992	11,900,600	12,123,511	12,696,581	12,882,224	13,110,336	13,383,500	13,705,714	13,809,885
Storm Water Service Penalties										
Residential Class	91,001	96,906	106,411	102,955	110,668	107,838	102,673	90,571	87,868	50,376
Non-Residential Class	79,470	71,120	81,675	73,848	76,840	72,686	67,540	70,708	84,809	58,180
Total Storm Water Service Penalties	170,471	168,026	188,086	176,803	187,517	180,524	170,213	161,279	172,677	108,556
Total Storm Water Write Offs	(103,207)	(120,288)	(149,417)	(224,405)	(291,526)	(138,726)	(145,039)	(265,423)	(101,252)	(162,722)
Percentage of Write Off's to Revenues & Penalties Billed	0.91%	1.03%	1.24%	1.82%	2.26%	1.05%	1.09%	1.96%	0.73%	1.17%
Net Storm Water Revenues	\$ 11,262,448	\$ 11,556,700	\$ 11,939,269	\$ 12,075,709	\$ 12,592,772	\$ 12,926,122	\$ 13,135,510	\$ 13,279,356	\$ 13,777,139	\$ 13,755,719
Customer Accounts										
Sewer Service Accounts Estimates										
Residential Class	91,920	92,374	92,924	93,365	94,021	94,821	95,438	96,299	97,139	98,056
Non-Residential Class	10,076	9,752	9,489	9,481	9,551	9,679	10,059	10,311	10,255	10,326
Total Sewer Accounts	\$ 101,996	\$ 102,126	\$ 102,413	\$ 102,847	\$ 103,572	\$ 104,500	\$ 105,497	\$ 106,610	\$ 107,393	\$ 108,382
Storm Water Accounts Estimates										
Residential Class	86,143	86,579	87,092	86,576	86,634	87,100	87,855	88,583	88,906	89,410
Non-Residential Class	8,283	7,921	7,674	7,594	7,567	7,558	7,900	8,364	8,392	8,443
Total Storm Water Accounts	\$ 94,426	\$ 94,500	\$ 94,766	\$ 94,170	\$ 94,201	\$ 94,658	\$ 95,755	\$ 97,947	\$ 97,304	\$ 97,859

Source: SD1 billing registers

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

Account Name	2011		2012		2013		2014		2015		2016		2017		2018		2019		2020	
	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount
Lyons-Magnia	7	\$ 546,471	3	\$ 1,019,716	2	\$ 1,182,775	1	\$ 1,528,917	2	\$ 1,204,321	1	\$ 1,615,030	2	\$ 1,100,900	1	\$ 1,152,207	2	\$ 975,274	1	\$ 1,834,016
Sara Lee Foods	3	895,635	4	723,709	4	762,726	4	825,285	3	953,273	3	972,766	4	922,489	3	1,046,067	4	820,839	2	1,193,740
Tastemaker	4	837,632	1	1,157,417	3	1,028,852	3	1,146,195	4	822,642	4	858,373	1	1,107,495	2	1,091,856	1	983,493	3	1,017,355
Taylor Farms Tennessee, Inc.	1	1,251,689	2	1,069,091	1	1,311,855	2	1,372,054	1	1,372,423	2	1,088,042	3	975,106	4	925,591	3	899,723	4	913,731
Safrair Landing Systems, KY	NR	-	NR	-	NR	-	NR	-	NR	-	NR	-	NR	-	14	236,572	5	774,173	5	855,962
Kenton County Airport	8	435,974	5	552,602	8	394,268	6	522,555	8	502,826	5	608,236	5	611,417	5	666,115	6	760,076	6	824,002
Environmental Services Inc.	27	30,466	25	25,840	24	33,490	22	58,272	25	45,577	23	45,696	20	59,580	10	353,896	7	655,450	7	607,546
Wild Flavors, Inc.	12	238,096	12	244,354	11	242,264	9	421,525	12	255,187	10	349,419	10	441,625	9	375,782	9	513,509	8	602,167
St. Elizabeth Medical Center	9	389,315	6	451,730	5	446,716	8	482,879	7	508,252	11	226,020	7	472,598	7	463,810	10	490,723	9	510,158
Northern KY University	10	269,716	9	299,722	9	353,675	11	343,137	11	377,734	7	475,952	8	454,166	8	400,505	13	271,365	10	441,853
Global Supply Chain	5	702,878	6	523,358	5	514,053	5	549,175	6	509,267	6	457,523	11	317,909	11	348,313	11	353,557	11	417,505
L'Oréal USA Florence	5	637,404	10	280,710	7	420,436	12	340,063	9	499,560	8	419,843	8	443,709	6	523,746	8	529,862	12	340,203
Cameco Chemical Company	13	170,993	16	94,871	15	132,931	14	127,055	13	170,205	15	146,778	12	265,518	13	281,930	12	281,600	13	268,111
A.O. Smith	14	152,804	15	115,662	14	140,545	13	160,567	14	145,003	12	160,920	13	240,921	15	212,042	14	188,992	14	136,030
Antelch Acrylics LLC	20	85,342	19	79,541	18	84,969	18	87,439	16	103,218	16	118,454	15	127,129	17	123,776	15	129,510	15	125,624
Van Melle USA, Inc.	26	31,162	21	66,437	21	54,612	20	65,541	20	70,274	16	88,321	19	55,020	18	108,688	17	114,609	16	120,306
Bluegrass Quality Meats	16	130,240	13	198,196	13	171,165	16	119,736	17	100,049	13	159,854	14	147,238	16	158,787	16	120,364	17	115,548
Northern KY Water District	19	91,264	14	156,749	17	88,530	24	34,940	22	65,637	21	53,282	21	54,064	24	43,569	22	59,600	18	85,488
White Castle Distributing, Inc.	15	148,151	16	109,605	16	98,080	15	126,327	15	144,594	14	148,104	16	114,072	19	105,799	18	93,125	18	81,693
Ferra Snacks LLC	18	105,251	20	67,987	20	73,309	21	64,365	23	56,222	20	63,396	18	88,171	20	84,862	20	88,804	20	70,937
Signode Plastic Recycling	11	253,423	11	264,893	10	348,203	7	507,622	10	426,273	17	112,122	23	42,269	29	17,557	21	76,299	21	62,733
Duro Paper Bag	23	41,278	27	23,581	22	48,402	19	77,187	21	68,451	24	44,801	25	37,309	26	34,992	23	45,739	23	43,828
IOFINA Chemical Inc.	25	31,800	24	31,097	25	30,200	27	29,866	24	51,695	22	49,986	22	44,076	22	47,347	25	42,543	23	43,710
Amar/Pride-WPS Energy Service	21	63,490	22	63,856	19	76,559	17	89,950	18	95,567	19	86,217	17	89,492	21	76,052	19	93,115	24	43,621
Domino's National Comm	24	32,864	26	24,318	26	27,592	26	30,858	29	24,191	30	10,702	27	24,914	23	45,856	24	42,974	25	43,200
Newly Weeds Foods	NR	-	NR	-	NR	-	NR	-	NR	-	NR	-	NR	-	NR	-	NR	-	NR	-
Charzill Downs Inc.	22	42,440	23	41,769	23	41,822	23	51,378	19	82,742	26	40,804	24	41,575	25	40,142	26	37,381	27	35,800
Savannah Foods & Industries	33	7,726	29	15,580	27	22,169	25	32,642	27	25,843	27	22,482	26	29,636	27	22,984	27	27,956	28	24,064
Highway Transport Chemical LLC	28	17,030	28	17,981	28	15,505	28	19,519	28	24,638	28	17,279	28	22,488	28	21,840	28	24,843	29	18,733
Tressa Inc.	NR	-	NR	-	NR	-	NR	-	NR	-	NR	-	NR	-	NR	-	NR	-	NR	-
Bugs Robber & Plastics	NR	-	NR	-	NR	-	NR	-	26	26,014	25	41,811	29	14,764	30	16,351	29	15,160	NR	-
Louis Traub Dairy	2	1,172,055	7	808,831	NR	-	NR	-	NR	-	NR	-	NR	-	NR	-	NR	-	NR	-
Messier Dugali / A. Carb, LLC	17	129,319	17	98,778	12	223,102	10	379,803	5	607,446	9	361,952	6	600,269	12	344,806	NR	-	NR	-

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

Company Name	Type of Business	Company Name	Type of Business
A.O. Smith	Waterline coatings for residential, automotive and motorcycle markets division	Lyons-Magnia	Full size meat processing - its factory in Kentucky's local
Bluegrass Quality Meats	Uniforms, laundry and linen rental, janitorial and services, 1700-union and floor care products	Lyons-Magnia	Chemicals and plastics, specialty paper and food products
Antelch Acrylics LLC	Product containers - various sizes (available for food service, health, medical and home use markets)	Messier Dugali / A. Carb, LLC	Water service and carbon load on facility
Bluegrass Quality Meats	Longform/High Aisle Equipment Provider	Northern KY University	Manufacturing/food processing with more than 16,000 students
Bluegrass Quality Meats	Deli meats and packaged meats plant	Northern KY Water District	Water supply utility for Portland and Campbell Counties
Charzill Downs Inc.	Inventory - This company supplies specialized products to horse related industry suppliers in all states and primary	Urban Learning Systems	Mobile Learning and eLearning systems
Central Chemical Company	Central packaging and chemical manufacturer	Taylor Farms Tennessee, Inc.	Meat and meat products processing
Charzill Downs Inc.	Thoughtful horse racing track	Tastemaker	Food product manufacturer producing steampunk
Domino's National Comm	Domino's pizza dough/distribution center	Taylor Farms Tennessee, Inc.	Manufacturing various varieties of poultry, semi-conductors, ground beef and animal feed
Duro Paper Bag	Large capacity paper manufacturing in the west	Tastemaker	Contract manufacturing and supply of bags
Environmental Services Inc.	The Environmental Service Inc. - Liquid waste collection and disposal	Taylor Farms Tennessee, Inc.	Cleaner of Flavors - from a manufacturer of Flavors, such as apples
Ferra Snacks LLC	Kellogg's - Cereal and snack manufacturer	Tastemaker	Product of finished products
Global Supply Chain	Skyway's - Industrial Freezers and prep products	Taylor Farms Tennessee, Inc.	Part of the product manufacturing producing steampunk
Highway Transport Chemical LLC	Trailer and washing facility	Taylor Farms Tennessee, Inc.	Part of the product manufacturing producing steampunk
IOFINA Chemical Inc.	Producer of films, makes specialty chemical for specialty products for specialty markets	Taylor Farms Tennessee, Inc.	Part of the product manufacturing producing steampunk
Louis Traub Dairy	Specialty Creamery Specialty Products Division (CPD)	Taylor Farms Tennessee, Inc.	Part of the product manufacturing producing steampunk
L'Oréal USA Florence	Product containers, containers & tubing products	Taylor Farms Tennessee, Inc.	Part of the product manufacturing producing steampunk

Source: SDG&E (2020)

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
System Revenues										
Total Operating Revenues	\$ 78,396,323	\$ 83,951,284	\$ 89,707,117	\$ 92,880,157	\$ 94,462,113	\$ 94,435,079	\$ 98,976,003	\$ 103,276,258	\$ 109,017,581	\$ 113,387,570
Total Non-Operating Revenues	5,126,472	4,529,743	4,422,445	4,097,921	4,122,030	4,312,928	4,618,229	5,089,753	6,169,704	4,237,870
Total System Revenues	83,522,795	88,481,027	94,129,562	96,978,078	98,584,143	98,748,007	103,594,232	108,366,011	115,187,285	117,625,440
Operating Expenses										
Operation, Maintenance & Administration										
Salary Expense	\$ 7,066,779	\$ 7,875,727	\$ 10,352,734	\$ 11,423,914	\$ 11,545,246	\$ 11,657,207	\$ 12,215,331	\$ 12,102,154	\$ 12,142,502	\$ 12,660,900
Employee Benefit & Incentive Expenses	5,776,673	6,626,400	7,539,280	7,046,809	8,160,719	7,934,077	8,710,860	7,745,153	7,516,863	7,675,871
Professional & Contractual Services	3,063,454	3,779,654	5,216,595	4,918,068	6,060,769	6,142,324	6,281,104	6,912,174	5,155,245	5,297,258
Office Administration Expenses	1,434,543	1,742,980	1,903,439	1,759,689	1,895,657	1,777,837	1,881,077	1,682,284	1,707,261	1,578,959
Utilities, Fuel Oil & Chemical Expenses	7,316,763	7,362,096	7,695,269	7,311,989	7,403,582	6,999,416	7,179,355	7,348,041	7,861,166	7,616,315
Vehicle Operation Expenses	1,163,239	1,276,021	1,067,065	1,068,097	983,314	885,649	824,241	847,095	961,150	841,792
Infrastructure, Equipment & Other Expenses	1,897,122	2,355,828	2,760,362	2,824,155	2,618,327	3,192,058	3,104,340	3,333,148	3,334,240	3,777,839
Supplemental / State Environmental Projects	202,192	61,218	-	1,924	-	-	-	-	-	-
Other Expenses	-	-	-	-	-	-	-	-	-	-
Total Operation, Maintenance & Administration	28,626,755	31,080,924	36,544,843	36,354,549	38,897,698	38,688,567	39,976,208	38,870,649	38,798,426	39,449,823
Major Repairs and Other Expenses	6,172,970	4,912,935	4,495,306	1,291,040	1,414,072	1,720,103	876,520	429,175	1,814,545	2,030,349
Net System Revenues	\$ 48,729,870	\$ 52,487,168	\$ 53,089,413	\$ 59,112,483	\$ 58,272,375	\$ 58,439,337	\$ 62,741,504	\$ 69,057,185	\$ 74,672,314	\$ 76,143,068
Revenue Bonds (Senior Debt) - Principal & Interest Due										
Series 2001A - (Revenue Bonds)	\$ 2,335,025	\$ 1,271,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Series 2005A - (Refunding Bonds)	4,198,100	4,198,300	4,194,600	4,187,900	4,198,000	4,183,600	4,010,500	-	-	-
Series 2008A - (Revenue Bonds)	3,021,236	3,018,311	3,015,668	3,010,301	3,008,108	3,008,974	2,126,859	-	-	-
Series 2007A - (Revenue Bonds)	5,856,850	5,868,750	5,880,450	6,003,650	6,019,150	6,025,375	3,748,500	-	-	-
Series 2009A - (Build America Bonds)	4,375,598	4,368,726	4,359,976	4,348,839	4,329,816	4,314,924	4,295,341	4,274,666	4,248,676	2,812,343
Series 2010A - (Build America Bonds)	2,821,608	5,458,945	5,452,139	5,438,214	5,428,479	5,409,587	5,388,239	5,366,686	5,339,304	5,326,973
Series 2010B - (Refunding Bonds)	522,196	1,770,825	3,031,725	3,019,825	3,012,475	3,005,425	2,886,488	2,885,613	2,881,738	2,882,175
Series 2010C - (Build America Bonds)	56,819	1,684,364	1,976,149	1,873,859	1,965,253	1,963,390	1,940,278	1,921,009	1,805,815	1,734,585
Series 2010D - (Recovery Zone Economic Dev. Bonds)	226,225	2,467,913	2,467,913	2,467,913	2,467,913	2,467,913	2,467,913	2,467,913	2,467,913	2,467,913
Series 2016A - (Refunding Bonds)	-	-	-	-	-	-	1,377,110	11,826,081	11,626,581	8,730,856
Series 2018A - (Refunding Bonds)	-	-	-	-	-	-	-	-	-	1,588,700
Total Principal & Interest on Revenue Bonds	\$ 23,513,656	\$ 30,597,534	\$ 30,478,618	\$ 30,451,900	\$ 30,417,194	\$ 30,369,068	\$ 28,353,227	\$ 28,950,967	\$ 28,579,827	\$ 23,953,655
Debt Service Coverage Ratio - Bonds (Senior Debt)										
* Calculated	207%	172%	174%	194%	192%	192%	221%	241%	261%	318%
** Required	125%	125%	125%	125%	125%	125%	125%	125%	125%	125%

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

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

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
KIA & Other Notes (Subordinate Debt) Principal & Interest Due										
A04-09 Eastern Regional Water Reclamation Facility	\$ 2,227,222	\$ 2,224,607	\$ 2,221,913	\$ 2,216,315	\$ 2,208,243	\$ 2,205,309	\$ 2,202,294	\$ 2,199,169	\$ 2,195,959	\$ 2,192,652
A08-04 Western Regional Water Reclamation Facility Construction Project	397,353	612,243	696,509	3,974,631	3,968,312	3,961,931	3,955,485	3,949,075	3,942,400	3,935,759
A09-04 Dry Creek WWTP Clarifier Project	19,742	175,650	309,015	309,102	308,683	308,255	307,819	307,374	306,920	306,458
A09-05 Sunnybrook Sewer Project	167,114	343,159	342,702	342,238	341,763	341,290	340,796	340,283	339,769	339,245
A09-06 South Fork / Gunpowder Interceptor Construction Project	-	98,453	285,559	800,930	799,877	799,803	797,708	796,591	795,451	794,289
A09-07 Frogtown Interceptor	-	30,258	187,232	297,078	296,695	296,292	295,872	295,453	295,026	294,590
A09-08 Turkeyfoot Rd / Industrial Rd. Force Main Project	9,674	14,234	32,496	135,410	134,996	134,815	134,630	134,442	134,249	134,053
A09-09 Narrows Road Diversion Pump Station Construction Project	-	54,142	146,950	507,839	506,906	506,126	505,432	504,724	504,002	503,265
A10-11 Dry Creek Headworks Construction Project	-	-	112,407	289,750	1,003,396	1,004,284	1,002,936	1,001,560	1,000,159	998,727
A11-13 - Church St, Lakeview, & KY Ave Pump Station Replacement	-	-	-	114,300	174,829	202,912	213,112	214,179	456,690	679,572
A11-14 Lakeside Park & Vernon Lane Projects	-	-	-	9,195	21,538	23,245	26,840	46,408	74,826	246,268
A12-02 Wolpert Pump station Rehab & Force Main Replacement	-	-	26,903	53,539	53,468	53,395	53,321	53,246	53,169	53,090
A15-103 Patton & 38th Street V&S Well Rehalts	-	-	-	-	-	-	12,525	132,558	131,586	131,391
A209-01 ARRA Banklick Creek Sewer Project	5,155	11,891	11,076	11,860	11,843	11,826	11,809	11,792	11,774	11,756
A209-02 ARRA Banklick Creek Wetlands Project	343	19,424	41,395	41,299	41,243	41,187	41,128	41,069	41,008	40,946
A209-03 ARRA Regional Bioremediation Project	-	26,510	45,050	44,989	44,928	44,865	44,801	44,735	44,668	44,600
A209-04 ARRA Terraced Reforestation Project	-	2,495	23,455	25,098	25,065	25,030	24,995	24,959	24,923	24,886
Total KIA & Other Notes Principal & Interest	\$ 2,824,803	\$ 3,613,099	\$ 4,440,161	\$ 9,153,571	\$ 9,941,675	\$ 9,972,059	\$ 10,091,516	\$ 10,090,524	\$ 10,352,262	\$ 10,730,347
All Bonds & Notes-Annual Principal and Interest Payments	\$ 26,339,260	\$ 34,129,600	\$ 34,921,779	\$ 39,605,071	\$ 40,358,879	\$ 40,341,137	\$ 39,444,743	\$ 39,747,490	\$ 39,932,089	\$ 34,681,002
All Debt Service Coverage Ratio										
*** Calculated	185%	154%	152%	149%	144%	145%	163%	179%	192%	220%

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

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

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
2011	410,940,967	102,925,602	513,866,569	101,996	5,038	1,268,952,844	40.5%
2012	399,438,266	136,575,098	536,013,364	102,126	5,249	1,286,454,005	41.7%
2013	390,573,277	152,798,766	543,372,043	102,413	5,306	1,297,760,781	41.9%
2014	378,139,936	153,411,373	531,551,310	102,847	5,168	1,288,476,116	41.3%
2015	365,383,540	147,961,008	513,344,549	103,572	4,956	1,260,171,483	40.7%
2016	352,290,207	142,882,485	495,172,692	104,500	4,738	1,247,626,372	39.7%
2017	339,854,417	136,724,421	476,578,838	105,497	4,517	1,240,708,600	38.4%
2018	324,620,158	131,411,482	456,031,640	106,610	4,278	1,240,678,116	36.8%
2019	309,159,823	124,135,749	433,295,572	107,393	4,035	1,247,824,271	34.7%
2020	297,748,060	115,749,700	413,497,761	108,382	3,815	1,257,011,965	32.9%

(1) Presented net of original issuance discounts and premiums

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

NORTHERN KY COUNTIES	2009 (ACS 5-Year Estimates)				2010 (ACS 5-Year Estimates)				2011 (ACS 5-Year Estimates)			
	BOONE	CAMPBELL	KENTON	COMBINED	BOONE	CAMPBELL	KENTON	COMBINED	BOONE	CAMPBELL	KENTON	COMBINED
POPULATION												
Total Population	112,514	87,509	156,399	356,422	114,723	89,016	158,034	361,773	117,216	89,598	159,008	365,822
Median Age (years)	35.0	37.1	35.5	n/a	35.1	37.2	36.0	n/a	35.4	37.0	36.0	n/a
HOUSEHOLDS												
Total Households	40,722	35,185	63,276	139,183	41,612	35,300	61,912	138,824	41,843	35,258	62,054	139,155
Average Household Size	2.74	2.38	2.44	2.51	2.74	2.41	2.52	2.56	2.78	2.47	2.52	2.59
Populations in Households	111,699	83,569	154,415	349,683	114,026	84,982	155,997	355,005	116,487	86,930	156,402	359,819
Population 25 years and older	77,848	63,072	111,613	252,533	78,519	63,859	112,276	254,654	80,378	64,499	113,339	258,216
HOUSING OCCUPANCY												
Total Housing Units	43,933	38,961	70,043	152,937	45,053	39,185	68,768	153,006	45,694	39,385	68,901	153,980
Occupied Housing Units	40,722	35,185	63,276	139,183	41,612	35,300	61,912	138,824	41,843	35,258	62,054	139,155
Owner-Occupied Units	30,931	25,691	43,983	100,605	31,777	25,516	42,867	100,160	32,316	25,201	42,640	100,157
Renter-Occupied Units	9,791	9,494	19,293	38,578	9,835	9,784	19,045	38,664	9,527	10,057	19,414	38,998
Vacant Housing Units	3,211	3,776	6,767	13,754	3,441	3,885	6,856	14,182	3,851	4,127	6,847	14,825
Vacant Housing Rate	7.3%	9.7%	9.7%	9.0%	7.6%	9.9%	10.0%	9.3%	8.4%	10.5%	9.9%	9.6%
Median (Value)	\$ 173,800	\$ 141,300	\$ 142,700	n/a	\$ 175,900	\$ 146,300	\$ 145,200	n/a	\$ 175,200	\$ 145,500	\$ 146,700	n/a
EMPLOYMENT STATUS												
Population 16 years and older	84,532	69,611	121,683	275,826	85,506	71,034	122,683	279,223	87,382	71,593	123,695	282,670
Population in Civilian Labor Force	62,676	47,081	84,983	194,740	63,072	48,127	85,333	196,532	63,267	49,150	84,808	197,225
Employed	59,337	44,305	79,911	183,553	59,510	44,793	79,683	183,986	59,601	45,535	78,617	183,953
Employed Percentage	94.7%	94.1%	94.0%	94.3%	94.4%	93.1%	93.4%	93.6%	94.5%	92.6%	92.7%	93.3%
Unemployed	3,339	2,776	5,072	11,187	3,562	3,334	5,650	12,546	3,466	3,615	6,191	13,272
Unemployed Percentage	5.3%	5.9%	6.0%	5.7%	5.6%	6.9%	6.6%	6.4%	5.5%	7.4%	7.3%	6.7%
INCOME												
Median Household Income	\$ 65,964	\$ 51,890	\$ 53,219	n/a	\$ 66,549	\$ 51,482	\$ 53,213	n/a	\$ 68,087	\$ 53,018	\$ 53,375	n/a
Mean Household Income	\$ 78,035	\$ 66,448	\$ 67,358	\$ 69,657	\$ 77,789	\$ 66,869	\$ 68,247	\$ 70,757	\$ 79,126	\$ 67,773	\$ 69,117	\$ 71,786
Per Capita Income	\$ 28,112	\$ 27,138	\$ 27,305	\$ 27,523	\$ 28,520	\$ 27,096	\$ 27,205	\$ 27,601	\$ 28,630	\$ 27,501	\$ 27,484	\$ 27,859
POVERTY LEVEL												
Percentage whose income in the past 12-months is below Poverty Level												
All Families	5.0%	7.5%	8.7%	7.0%	5.8%	8.8%	8.4%	7.3%	5.5%	8.6%	9.5%	8.0%
All People	6.6%	10.4%	10.9%	9.4%	7.5%	11.3%	11.4%	10.1%	7.2%	11.3%	12.6%	10.5%
Under 18 Years	8.8%	15.2%	16.0%	13.4%	9.2%	16.5%	16.5%	13.9%	8.5%	15.8%	18.6%	14.4%
65 Years and Older	6.7%	6.4%	7.6%	7.6%	8.5%	8.2%	7.5%	8.0%	7.8%	7.4%	7.2%	7.4%

Source: factfinder2.census.gov/

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

NORTHERN KY COUNTIES	2012 (ACS 5-Year Estimates)				2013 (ACS 5-Year Estimates)				2014 (ACS 5-Year Estimates)			
	BOONE	CAMPBELL	KENTON	COMBINED	BOONE	CAMPBELL	KENTON	COMBINED	BOONE	CAMPBELL	KENTON	COMBINED
POPULATION												
Total Population	119,406	90,119	159,926	369,451	121,214	90,606	160,828	372,648	123,030	91,268	161,915	376,213
Median Age (years)	35.7	36.9	36.2	n/a	36.0	37.0	36.4	n/a	36.1	37.0	36.3	n/a
HOUSEHOLDS												
Total Households	42,617	35,235	62,260	140,112	43,255	35,203	61,800	140,258	43,903	35,478	61,962	141,343
Average Household Size	2.78	2.48	2.53	2.59	2.78	2.49	2.56	2.61	2.78	2.49	2.57	2.62
Populations in Households	116,644	87,391	157,383	363,418	120,390	87,830	158,303	366,523	122,141	88,307	159,438	369,886
Population 21 years and older	82,033	65,184	114,494	261,711	83,378	65,772	115,346	264,496	84,911	66,322	116,400	267,633
Population 65 years and older	11,539	11,680	18,098	41,317	12,107	11,856	18,552	42,515	12,724	12,004	19,225	43,953
HOUSING OCCUPANCY												
Total Housing Units	46,196	39,497	69,053	154,746	46,635	39,560	69,081	155,276	47,062	39,705	69,242	155,969
Occupied Housing Units	42,617	35,235	62,260	140,112	43,255	35,203	61,800	140,258	43,903	35,478	61,962	141,343
Owner-Occupied Units	32,362	24,857	42,361	99,580	32,649	24,643	42,038	99,330	32,561	24,417	41,536	98,514
Renter-Occupied Units	10,255	10,378	19,899	40,532	10,606	10,560	19,762	40,928	11,342	11,061	20,426	42,829
Vacant Housing Units	3,579	4,262	6,793	14,634	3,380	4,357	7,281	15,018	3,149	4,227	7,280	14,658
Vacant Housing Rate	7.7%	10.8%	9.8%	9.5%	7.2%	11.0%	10.5%	9.7%	6.7%	10.6%	10.5%	9.4%
Median (Value) Owner-occupied units	\$ 173,000	\$ 147,600	\$ 146,200	n/a	\$ 172,700	\$ 146,300	\$ 144,300	n/a	\$ 174,200	\$ 147,700	\$ 143,900	n/a
EMPLOYMENT STATUS												
Population 16 years and older	89,053	72,133	124,387	285,573	90,433	72,430	125,242	288,105	92,145	73,165	126,093	291,403
Population in Civilian Labor Force	63,730	49,122	84,991	197,843	64,347	49,548	85,459	199,354	65,546	49,526	85,229	200,301
Employed	59,622	45,175	78,089	182,886	59,917	45,336	77,880	183,133	61,454	45,481	78,082	185,017
Employed Percentage	93.6%	92.0%	91.9%	92.4%	93.1%	91.6%	91.1%	91.9%	93.8%	91.8%	91.6%	92.4%
Unemployed	4,108	3,947	6,902	14,957	4,430	4,212	7,579	16,221	4,092	4,045	7,147	15,284
Unemployed Percentage	6.4%	8.0%	8.1%	7.6%	6.9%	8.5%	8.9%	8.1%	6.2%	8.2%	8.4%	7.6%
INCOME												
Median Household Income	\$ 67,125	\$ 53,580	\$ 53,900	n/a	\$ 67,225	\$ 54,306	\$ 54,270	n/a	\$ 67,286	\$ 54,482	\$ 54,817	n/a
Mean Household Income	\$ 78,904	\$ 67,013	\$ 69,366	\$ 71,675	\$ 80,339	\$ 67,244	\$ 69,687	\$ 72,359	\$ 81,417	\$ 68,563	\$ 70,126	\$ 73,238
Per Capita Income	\$ 28,640	\$ 27,063	\$ 27,669	\$ 27,840	\$ 29,235	\$ 26,945	\$ 27,704	\$ 28,025	\$ 29,656	\$ 27,479	\$ 27,788	\$ 28,331
POVERTY LEVEL												
Percentage whose Income in the past 12-months is below Poverty Level												
All Families	6.4%	9.5%	10.1%	8.7%	7.4%	10.0%	10.5%	9.3%	7.1%	10.4%	11.1%	9.6%
All People	8.3%	12.4%	13.2%	11.4%	9.0%	13.0%	13.7%	12.0%	8.7%	14.0%	14.3%	12.4%
Under 18 Years	10.6%	17.2%	19.8%	15.9%	12.2%	17.5%	20.8%	17.0%	11.7%	19.2%	21.8%	17.6%
65 Years and Older	8.0%	6.5%	7.5%	7.4%	6.9%	8.0%	8.3%	7.8%	8.2%	8.0%	8.8%	8.4%

Source: factfinder2.census.gov/

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

NORTHERN KY COUNTIES	2015 (ACS 5-Year Estimates)				2016 (ACS 5-Year Estimates)				2017 (ACS 5-Year Estimates)			
	BOONE	CAMPBELL	KENTON	COMBINED	BOONE	CAMPBELL	KENTON	COMBINED	BOONE	CAMPBELL	KENTON	COMBINED
POPULATION												
Total Population	124,617	91,475	163,007	379,099	125,656	91,456	163,393	380,505	127,682	91,804	163,987	383,473
Median Age (years)	36.2	37.3	36.4	n/a	36.6	37.9	36.7	n/a	37.1	38.0	36.9	n/a
HOUSEHOLDS												
Total Households	44,709	35,477	62,225	142,411	45,649	35,954	62,746	144,349	46,096	35,670	62,929	144,894
Average Household Size	2.77	2.49	2.58	2.62	2.73	2.46	2.57	2.59	2.75	2.46	2.57	2.60
Populations in Households	123,644	88,421	160,718	372,783	124,657	88,314	161,085	374,056	126,649	88,392	161,610	376,651
Population 21 years and older	86,329	66,896	117,493	270,718	87,436	67,314	118,476	273,278	89,342	67,938	119,155	276,435
Population 65 years and older	13,236	12,365	19,988	45,589	13,980	12,702	20,747	47,429	15,414	13,264	21,566	50,234
HOUSING OCCUPANCY												
Total Housing Units	47,466	39,754	69,369	156,589	47,878	39,873	69,520	157,271	48,499	39,929	69,484	157,912
Occupied Housing Units	44,709	35,477	62,225	142,411	45,649	35,954	62,746	144,349	46,096	35,670	62,929	144,894
Owner-Occupied Units	32,785	24,368	40,956	98,109	32,880	24,530	41,155	98,565	33,885	24,675	41,329	99,889
Renter-Occupied Units	11,924	11,109	21,269	44,302	12,769	11,424	21,591	45,784	12,210	11,195	21,600	45,005
Vacant Housing Units	2,757	4,277	7,144	14,178	2,229	3,919	6,774	12,922	2,404	4,059	6,555	13,018
Vacant Housing Rate	5.8%	10.8%	10.3%	9.1%	4.7%	9.8%	9.7%	8.2%	5.0%	10.2%	9.4%	8.2%
Median (Value) Owner-occupied units	\$ 175,100	\$ 150,400	\$ 145,200	n/a	\$ 178,300	\$ 156,600	\$ 147,000	n/a	\$ 183,700	\$ 160,700	\$ 149,700	n/a
EMPLOYMENT STATUS												
Population 16 years and older	93,587	73,523	127,102	294,212	95,134	73,934	127,720	296,788	97,459	74,589	128,542	300,590
Population in Civilian Labor Force	66,346	49,211	86,086	201,653	67,334	49,083	87,231	203,658	67,873	48,795	87,172	203,840
Employed	62,624	45,872	79,447	187,943	63,757	46,233	81,588	191,578	64,527	46,154	82,552	193,233
Employed Percentage	94.4%	93.2%	92.3%	93.2%	94.7%	94.2%	93.5%	94.1%	95.1%	94.6%	94.7%	94.8%
Unemployed	3,722	3,339	6,649	13,710	3,577	2,850	5,643	12,080	3,346	2,641	4,620	10,607
Unemployed Percentage	5.6%	6.8%	7.7%	6.8%	5.3%	5.8%	6.5%	5.9%	4.9%	5.4%	5.3%	5.2%
INCOME												
Median Household Income	\$ 66,730	\$ 54,621	\$ 54,296	n/a	\$ 69,165	\$ 56,772	\$ 56,568	n/a	\$ 72,731	\$ 57,208	\$ 58,674	n/a
Mean Household Income	\$ 81,500	\$ 70,780	\$ 70,236	\$ 73,908	\$ 85,590	\$ 74,223	\$ 72,452	\$ 77,048	\$ 90,790	\$ 77,224	\$ 76,160	\$ 81,078
Per Capita Income	\$ 29,866	\$ 28,248	\$ 27,847	\$ 28,612	\$ 31,593	\$ 29,834	\$ 28,785	\$ 29,968	\$ 33,653	\$ 31,065	\$ 30,195	\$ 31,528
POVERTY LEVEL												
Percentage whose income in the past 12-months is below Poverty Level												
All Families	6.6%	10.3%	11.8%	9.6%	6.5%	11.0%	10.9%	9.4%	6.0%	9.5%	9.9%	8.4%
All People	8.2%	14.6%	14.6%	12.5%	7.9%	14.9%	13.8%	12.0%	7.6%	14.2%	12.9%	11.4%
Under 18 Years	11.2%	20.5%	23.0%	18.2%	11.4%	22.0%	21.5%	17.9%	10.6%	19.2%	19.5%	16.2%
65 Years and Older	5.9%	9.8%	8.5%	8.1%	6.3%	10.2%	8.0%	8.1%	5.2%	12.2%	8.0%	8.2%

Source: data.census.gov

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

NORTHERN KY COUNTIES	2018 (ACS 5-Year Estimates)			
	BOONE	CAMPBELL	KENTON	COMBINED
POPULATION				
Total Population	129,095	92,267	164,688	386,050
Median Age (years)	37.3	38.1	37.0	n/a
HOUSEHOLDS				
Total Households	46,404	36,308	63,529	146,241
Average Household Size	2.76	2.44	2.55	2.59
Populations in Households	128,053	88,744	162,253	379,050
Population 21 years and older	90,557	68,424	120,201	279,182
Population 65 years and older	16,093	13,707	22,334	52,134
HOUSING OCCUPANCY				
Total Housing Units	48,961	40,109	69,635	158,705
Occupied Housing Units	46,404	36,308	63,529	146,241
Owner-Occupied Units	34,370	25,018	41,781	101,169
Renter-Occupied Units	12,034	11,290	21,748	45,072
Vacant Housing Units	2,557	3,801	6,106	12,464
Vacant Housing Rate	5.2%	9.5%	8.8%	7.9%
Median (Value) Owner-occupied Units	\$ 186,500	\$ 168,300	\$ 155,200	n/a
EMPLOYMENT STATUS				
Population 16 years and older	98,981	75,215	129,244	303,440
Population in Civilian Labor Force	69,183	48,901	87,789	205,873
Employed	66,174	46,679	83,543	196,396
Employed Percentage	95.7%	95.5%	95.2%	95.4%
Unemployed	3,009	2,222	4,246	9,477
Unemployed Percentage	4.3%	4.5%	4.8%	4.6%
INCOME				
Median Household Income	\$ 75,043	\$ 59,782	\$ 61,608	n/a
Mean Household Income	\$ 93,086	\$ 79,669	\$ 80,194	\$ 84,154
Per Capita Income	\$ 34,433	\$ 32,225	\$ 31,811	\$ 32,794
POVERTY LEVEL				
Percentage whose Income in the past 12-months is below Poverty Level				
All Families	5.3%	9.2%	9.5%	8.0%
All People	7.1%	13.8%	12.6%	11.0%
Under 18 Years	10.2%	17.0%	18.3%	15.1%
65 Years and Older	4.7%	12.3%	7.7%	8.0%

Source: data.census.gov/

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

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

Top Ten Employers in Northern Kentucky - 2011 (Ranked by Local Employees)		
Company	Employees	Percentage of Employed Work Force
Fidelity Investments	3,800	1.9%
Delta Comair Connection	2,600	1.3%
Citigroup	2,200	1.1%
Toyota Motor Engineering & Manufacturing, N.A.	1,300	0.7%
Schwan's Global Supply Chain	1,100	0.6%
DHL	900	0.5%
Duro Bag Manufacturing Co.	800	0.4%
ZF Steering Systems	682	0.3%
Convergys Corporation	600	0.3%
Gap Inc.	580	0.3%
Totals:	14,562	7.4%
Source: Business Courier 2011 Book of Lists, Harris InfoSource 2010		

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

	Design Capacity MGD	Fiscal Year									
		Average Daily Wastewater Flow (MGD)									
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Treatment Plant Flow (1)											
Dry Creek	46.5	35.7	35.9	27.3	26.4	20.7	27.4	27.0	27.0	27.0	30.0
Eastern Regional WRF*	4.0	0.9	0.8	0.8	0.94	1.05	1.03	1.00	1.00	1.00	1.00
Western Regional WRF**	20.0	0.0	3.4	7.6	8.43	7.77	8.12	8.00	8.00	8.00	9.00
	<u>70.5</u>	<u>36.6</u>	<u>40.1</u>	<u>35.7</u>	<u>35.8</u>	<u>29.5</u>	<u>36.6</u>	<u>36.0</u>	<u>36.0</u>	<u>36.0</u>	<u>40.0</u>
Staffing Levels (2)											
Administration		51	61	62	58	59	58.5	54	43	45	44.5
Engineering		38	27	27	21	21	21	21	23	25	26.5
Operations		0	0	0	6	6	5	5	20	23.5	25.5
Water Resources		0	18	14	15.5	15.5	16.5	16.5	16.5	11.5	11.5
Collection System		88	83	89	88	88	84	78	72	69	66
Field Tech (Pump Stations)		14	14	13	15	15	15	15	15	15	15
Eastern Regional and Small Plants		13	10	9	10.5	10.5	10.5	9.5	9.5	7.5	7.5
Western Regional Plant		0	13	13	12	13	13	13	13	13	13
Dry Creek and Lab		54	46	49	47.5	46.5	45.5	45.5	45.5	44.5	43
Total Employees		<u>258</u>	<u>272</u>	<u>276</u>	<u>273.5</u>	<u>274.5</u>	<u>269.0</u>	<u>257.5</u>	<u>257.5</u>	<u>254.0</u>	<u>254.5</u>

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

(2) Source: SD1 budget documents

* Eastern Regional Water Reclamation Facility went online 10/2007

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

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Miles of Sanitary Sewers (Includes sanitary, force mains and combined)	1,600	1,600	1,600	1,600	1,600	1,620	1,620	1,640	1,650	1,662
Regional Wastewater Treatment Plants	2	2	3	3	3	3	3	3	3	3
Small Wastewater Treatment Plants										
Owned and Operated	4	4	4	4	4	4	4	4	4	4
Operated but not Owned	4	4	4	4	4	2	3	3	3	3
Pump Stations										
Owned and Operated	131	131	133	121	121	121	120	121	121	121
Operated but not Owned	13	13	13	14	14	3	3	3	3	3
Flood Stations	15	15	15	15	15	15	15	15	15	15
Flood Gate Structures	89	89	89	88	88	89	89	92	93	93
Storm Structures	28,883	29,165	31,669	32,062	32,541	32,820	33,097	31,106	31,657	32,728
Miles of Separate Storm Sewers	407	417	440	442	447	447	451	416	425	428

Source: SD1 GIS records



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Sanitation District No. 1 (SD1) as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise SD1's basic financial statements, and have issued our report thereon dated December 8, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SD1's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

VonLehman & Company Inc.

Fort Wright, Kentucky
December 8, 2020

APPENDIX E

FORM OF LEGAL OPINION OF BOND COUNSEL

[Date of Delivery]

Sanitation District No. 1
Fort Wright, Kentucky

Ladies and Gentlemen:

We have acted as bond counsel in connection with the authorization, sale and issuance by Sanitation District No. 1 (the "District"), a public body corporate and politic, constituting a de jure public corporation and a political subdivision of the Commonwealth of Kentucky, acting by and through its Board of Directors as its duly authorized governing body, of \$70,000,000* principal amount of Sanitation District Revenue Bonds, Series 2021A (the "Series 2021A Bonds") and \$12,145,000* principal amount of Sanitation District Revenue Refunding Bonds, Series 2021B (the "Series 2021B Bonds" and, together with the Series 2021A Bonds, the "Series 2021 Bonds").

The Series 2021 Bonds have been authorized and issued pursuant to Chapter 220 of the Kentucky Revised Statutes (the "Act"), a Trust Indenture securing Sanitation District Revenue Bonds dated as of April 1, 1998, which has been amended by a Supplemental Trust Indenture No. 1 dated as of February 1, 2001, a Supplemental Trust Indenture No. 2 dated as of October 1, 2005, and a Supplemental Trust Indenture No. 3 dated as of October 1, 2007 between the District and Truist Bank, successor to The Huntington National Bank, as trustee (collectively, the "Trust Indenture") and a certain Series Bond Resolution authorizing the Series 2021 Bonds adopted on April 20, 2021 (the "Series Resolution"). Capitalized terms not otherwise defined herein shall have the meanings given them in the Trust Indenture.

Pursuant to the Trust Indenture and the Series Resolution, the District has authorized the issuance of the Series 2021A Bonds for the purpose of (i) financing certain improvements to the System; (ii) funding the Debt Service Reserve Fund; and (iii) paying the costs of issuance of the Series 2021A Bonds. The District has authorized the issuance of the Series 2021B Bonds for the purpose of (i) refinancing the outstanding KIA Loan A04-09; and (ii) paying the costs of issuance of the Series 2021A Bonds

We have examined such portions of the Constitution and Statutes of the United States, the Constitution and Statutes of the Commonwealth of Kentucky, and such applicable court decisions, regulations, rulings and opinions as we have deemed necessary or relevant for the purposes of the opinions set forth below.

We have also examined records, and the transcript of proceedings relating to the authorization and issuance of the Series 2021 Bonds, including a specimen Bond, and other relevant matters. We have also made such investigation as we have deemed necessary for the purposes of such opinions, and relied upon certificates of officials of the District as to certain factual matters. Based upon the foregoing, we advise you that in our opinion under existing law:

1. The Series 2021 Bonds have been duly authorized, executed and issued by the District in accordance with the Constitution and Statutes of the Commonwealth, including the Act, and in accordance with the Trust Indenture and the Series Resolution, and constitute valid and binding special and limited obligations of the District, payable as to principal, interest, and premium, if any, from and secured by a pledge of (i) certain proceeds of the sale of the Series 2021 Bonds; (ii) Investment Obligations acquired by Series 2021 Bond proceeds; (iii) the Pledged Receipts; (iv) the Debt Service Fund and Debt Service Reserve Fund, including accounts thereof and monies and securities therein,

subject only to the provisions of the Trust Indenture permitting the use and application thereof for or to the purposes and on the terms and conditions set forth in the Trust Indenture; and (v) a statutory mortgage lien on all properties of the District, including the System and all extensions and appurtenances thereto, as provided by Section 220.420 of the Kentucky Revised Statutes and as more specifically described in the Trust Indenture.

2. Neither the faith and credit nor the taxing power of the District, the Commonwealth, or any political subdivision thereof, nor the faith and credit of the District is pledged to the payment of the principal of or interest on the Series 2021 Bonds, or to the payment of premium, if any.

3. Interest on the Series 2021 Bonds is exempt from income taxation by the Commonwealth of Kentucky, and the Series 2021 Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

4. Under the laws, regulations, rulings and judicial decisions in effect as of the date hereof, interest, including original issue discount, on the Series 2021 Bonds is excludible from gross income for Federal income tax purposes, pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, interest on the Series 2021 Bonds will not be treated as an item of tax preference, under Section 57(a)(5) of the Code, in computing the alternative minimum tax. In rendering the opinions in this paragraph, we have assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. We express no other opinion as to the federal tax consequences of purchasing, holding or disposing of the Series 2021 Bonds.

5. The District has NOT designated the Tax-Exempt Bonds as "qualified tax-exempt obligations" under Section 265 of the Code.

Our opinion set forth above is subject to the qualification that the enforceability of the Trust Indenture, the Series 2021 Bonds and agreements relating thereto may be limited by bankruptcy, reorganization, moratorium, insolvency, or other similar laws relating to or affecting the enforcement of creditors' rights or by general equitable principles.

Without having undertaken to determine independently or to verify the accuracy or completeness of the statements contained in the Official Statement issued with respect to the Series 2021 Bonds, and expressing no opinion as to the financial statements or any other financial or statistical data contained therein, nothing has come to our attention in the course of our professional engagement as Bond Counsel which would lead us to believe that the Official Statement contains any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

Very truly yours,

DINSMORE & SHOHL LLP