



# ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR)

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Fort Wright, KY 41017

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SD1.org

**For the Fiscal Years Ended  
June 30, 2025 and 2024**

**SANITATION DISTRICT NO. 1**

**ANNUAL COMPREHENSIVE  
FINANCIAL REPORT**

**For the Years Ended June 30, 2025 and 2024**

**Prepared by:**

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

**Ron Schmitt, Jr.  
Director**

**Melissa Lusk  
Accounting Manager**

**SANITATION DISTRICT NO. 1**  
**ANNUAL COMPREHENSIVE**  
**FINANCIAL REPORT**  
**For the Years Ended June 30, 2025 and 2024**

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**ANNUAL COMPREHENSIVE**  
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## **INTRODUCTORY SECTION**

December 16, 2025



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

SD1 and its Finance Department are pleased to submit the Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2025. This report follows guidelines set forth by the Government Accounting Standards Board and Generally Accepted Accounting Principles (GAAP).

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

SD1's financial statements have been audited by Chamberlin Owen & Co., Inc., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that SD1's financial statements for the fiscal year ended June 30, 2025, 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, 2025 are fairly presented in conformity with GAAP. The independent auditor's report is presented at the front of the financial section of this report.

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

### **Profile of SD1**

SD1 is responsible for the collection and treatment of Northern Kentucky's wastewater, as well as regional storm water management. SD1 is the second largest public sewer utility in Kentucky, serving approximately 347,717 residents throughout Boone, Campbell, and Kenton Counties.

SD1 maintains approximately 1,725 miles of sanitary sewer line, 125 wastewater pumping stations, 16 flood pump stations, four package treatment plants, three major wastewater treatment plants, approximately 493.65 miles of storm sewer pipe and 35,746 storm sewer structures.

In Fiscal Year 2025, SD1 served a sanitary sewer customer base of 113,880 accounts and a storm water customer base of 87,539 accounts. SD1's sanitary sewer customer base has experienced a 0.96% average annual growth rate over the past five years, while SD1's storm water customer base has experienced a 2.16% average annual decrease over the past five years due to the City of Covington terminating their storm water Interlocal agreement in 2021.

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

### **Local Economy**

SD1 is located in Northern Kentucky, across the Ohio River from the City of Cincinnati, and is classified as belonging to the Cincinnati Metropolitan Statistical Area (MSA). Per the U.S. 2022 Census 5-year estimates, Northern Kentucky's population was 398,338. 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 Cincinnati/Northern Kentucky International Airport.

According to the BE NKY Growth Partnership, Northern Kentucky is a key part of the 15-county Greater Cincinnati metropolitan area. Partnerships, collaboration, and innovation have been critical elements for the Northern Kentucky region's success and competitiveness. As of May 2025, the Cincinnati MSA average unemployment rate was 3.9% which is slightly less than the national average unemployment rate of 4.2% and below the long-term average of 5.1%.

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

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

SD1 is in Phase 2 of its Clean H2O40 Amended Consent Decree program, an agreement with federal and state regulators to eliminate sewer overflows and reduce water pollution in local creeks and streams under the federal Clean Water Act of 1972.

One of the key projects of Phase 2 is the Lakeview Equalization (EQ) Tank and Pump Station. Located in Fort Wright, the 10.5-million-gallon EQ tank is the largest storage facility SD1 has built as part of its modern smart-sewer plan to manage in-system flow during large rain events. The tank is designed to prevent the public sewer system from becoming overwhelmed by capturing storm water during large rain events and slowly releasing it back into the system after the events have ended. The project also includes a 38-million-gallon pump station extending six stories underground. This project will eliminate about 4.25 million gallons of sanitary sewer overflows (SSOs) in a typical year when complete in 2026.

Another nearby EQ tank will work in tandem with the up-sizing of existing pipe and the Lakeview improvements to eliminate over 8 million additional gallons of typical-year SSOs.

During Phase 2 of Clean H2O40, SD1 will eliminate 40 million gallons of SSOs and 388 million gallons of typical-year combined sewer overflows (CSOs) across the region.

During Phase 1, which was completed in July 2023, SD1 was able to eliminate over 60% of SSOs and capture nearly 71% of combined system flow, far exceeding its Phase 1 goals of 20% and 65% respectively.

Clean H2O40 runs until the year 2040, the deadline for SD1's overflow mitigation goals of eliminating all typical-year SSOs and recapturing 85% of typical-year combined system flow. While original estimates for the investment required to reach those goals was \$1.3 billion (in 2016 dollars), SD1's updated strategies have dramatically lowered that number.

Now in its seventh year, SD1's residential rate restructure has been heralded as a success. The restructure matches fixed and variable operational costs with a base and variable rate structure. The base rate, which includes the first 2 hundred cubic feet (HCF) of wastewater treatment, increased over the past seven years as the variable rate decreased. The effect was to more closely align SD1's sanitary sewer rates with the actual cost of providing service and to address the continuing trend of declining wastewater revenue due to decreasing water consumption caused by more efficient fixtures and appliances.

This year, with rates more in alignment, SD1 ended the up/down dynamic of base rate and variable rate and returned to across-the-board rate increases. The residential SD1 bill also includes an environmental surcharge to help cover the cost of implementing the Clean H2O40 program, and for the first time, that surcharge was lowered this year. The average SD1 customer continues to pay one penny per gallon for wastewater treatment.

### **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 the end of the fiscal year, SD1 had total debt outstanding of \$367,247,114. Outstanding bonds of SD1 are rated Aa2 outlook positive by Moody's and AA by Standard & Poor's rating agencies. For the fiscal year ended June 30, 2025, net revenues covered debt service on both revenue bonds and Kentucky Infrastructure Authority (KIA) notes by 3.39 times. Unrestricted cash was at a level representing at least 1,998 days' cash which equated to \$252.1 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**

#### **SD1 Reduces Stormwater Fee for Fourth Time in Five Years and Again Freezes Tap Fees to Support NKY Housing Initiative**

SD1's fiscal year 2026 budget includes a 5% reduction in the region's stormwater fee—the fourth such reduction in five years. This adjustment will see monthly stormwater bills decrease from \$4.10 to \$3.90 per equivalent residential unit (ERU), and quarterly nonresidential bills drop from \$12.30 to \$11.70 per ERU.

"We know every dollar matters to the people we serve," said SD1 Executive Director Adam Chaney. "That's why we've made it our mission to return savings to our customers wherever possible, without compromising on service or environmental leadership."

SD1 continued its support of the NKY income aligned housing initiative by freezing sanitary sewer connection fees again in 2026. “This action sends a clear message that our region is serious about addressing the housing crisis by holding down cost increases that directly impact home affordability,” said Brian Miller, executive vice president of the Building Industry Association of Northern Kentucky. “By taking this fiscally responsible step, SD1 is helping to ensure that more families can afford to live, work, and thrive in Northern Kentucky.”

SD1’s sewer rate structure remains aligned with service costs, moving the base rate from \$34 to \$38 per month in fiscal year 2026 and the variable rate from \$3.63 per hundred cubic feet to \$3.81. The Clean H2O40 environmental surcharge decreased from \$8 per month to \$6 per month.

### **Trenchless Pipe Lining: A Smarter Way to Restore Aging Infrastructure**

As sewer infrastructure ages, SD1 is turning to trenchless pipe lining, also known as cured-in-place pipe (CIPP) lining, a cost-effective method that restores pipes without digging them up.

Unlike traditional pipe replacement, which requires major excavation, CIPP involves inserting a flexible, resin-soaked liner into the existing pipe.

Once in place, the liner is inflated and cured using steam, forming a seamless, corrosion-resistant pipe within the old one. This approach strengthens the pipe and extends its service life by decades.

### **Benefits to Our Community**

- **Lower Costs:** CIPP projects typically cost about a third of open-cut excavation. In some cases, especially where pipes are located under buildings, CIPP may be the only viable option.
- **Less Disruption:** Projects are usually completed within one or two days with minimal surface impact, ideal for streets, yards and driveways.
- **Environmentally Friendly:** Less excavation means less waste and fewer emissions.

Trenchless lining helps SD1 maintain 1,725 miles of pipe efficiently—saving ratepayers money, protecting infrastructure and minimizing disruption to Northern Kentucky residents

### **SD1 Honored with NKY Chamber's Environmental Stewardship Award**

SD1 received the 2025 Environmental Stewardship Award from the Northern Kentucky Chamber of Commerce during its annual Business Impact Awards ceremony.

The awards honor organizations that drive innovation and economic growth in Northern Kentucky. SD1 was recognized for its groundbreaking Clean H2O40 program—a 20-year strategic plan that is transforming how the region manages sewer overflows, protecting waterways, and safeguarding community health.

“We are grateful to be recognized by the NKY Chamber and our peers in the business community,” said SD1 Executive Director Adam Chaney. “Our team works around the clock, often behind the scenes, to protect our rivers, our neighborhoods and our future. This award affirms that our efforts are making a real difference in the lives of Northern Kentuckians.”

SD1 manages more than 2,200 miles of sanitary and stormwater infrastructure across Boone, Campbell, and Kenton counties, serving over 347,000 residents. The agency treats approximately 35 million gallons of wastewater daily and prevents about 105,000 pounds of waste from entering the Ohio River each day.

“SD1’s commitment to environmental stewardship is rooted in the belief that clean water is fundamental to quality of life,” said Chaney. “Northern Kentucky has always been a river town. Clean H2O40 is our pledge to future generations that we will keep those rivers clean, healthy and flowing with possibility.”

### ***Awards and Acknowledgements***

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to SD1 for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2024. This was the twelfth 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 annual comprehensive financial report. The report satisfied both generally accepted accounting principles and applicable legal requirements.

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

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Finance Department. We wish to thank all SD1 departments for their assistance in providing the data necessary to prepare this report. Credit is also due

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December 16, 2025

to the Board of Directors for their unfailing support for maintaining the highest standards of professionalism in the management of SD1's finances.

Respectfully Submitted,

*Adam Chaney*

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Adam Chaney  
Executive Director

*Ron Schmitt, Jr.*

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Ron Schmitt, Jr.  
Director of Finance

**SANITATION DISTRICT NO. 1**  
**ANNUAL COMPREHENSIVE**  
**FINANCIAL REPORT**  
**For the Years Ended June 30, 2025 and 2024**

**Board of Directors**  
(As of June 30, 2025)

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Jack Scott, President  
Campbell County

Katie Nolan, Vice-President  
Boone County

Beth Germann, Treasurer  
Kenton County

Jason Finch, Secretary  
Kenton County

Jill Bezold, Director  
Kenton County

Bob Boswell, Director  
Boone County

Robert Horine, Director  
Campbell County

Russ Horsley, Director  
Kenton County

**Management**

Adam Chaney  
Executive Director



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Sanitation District No. 1  
Kentucky**

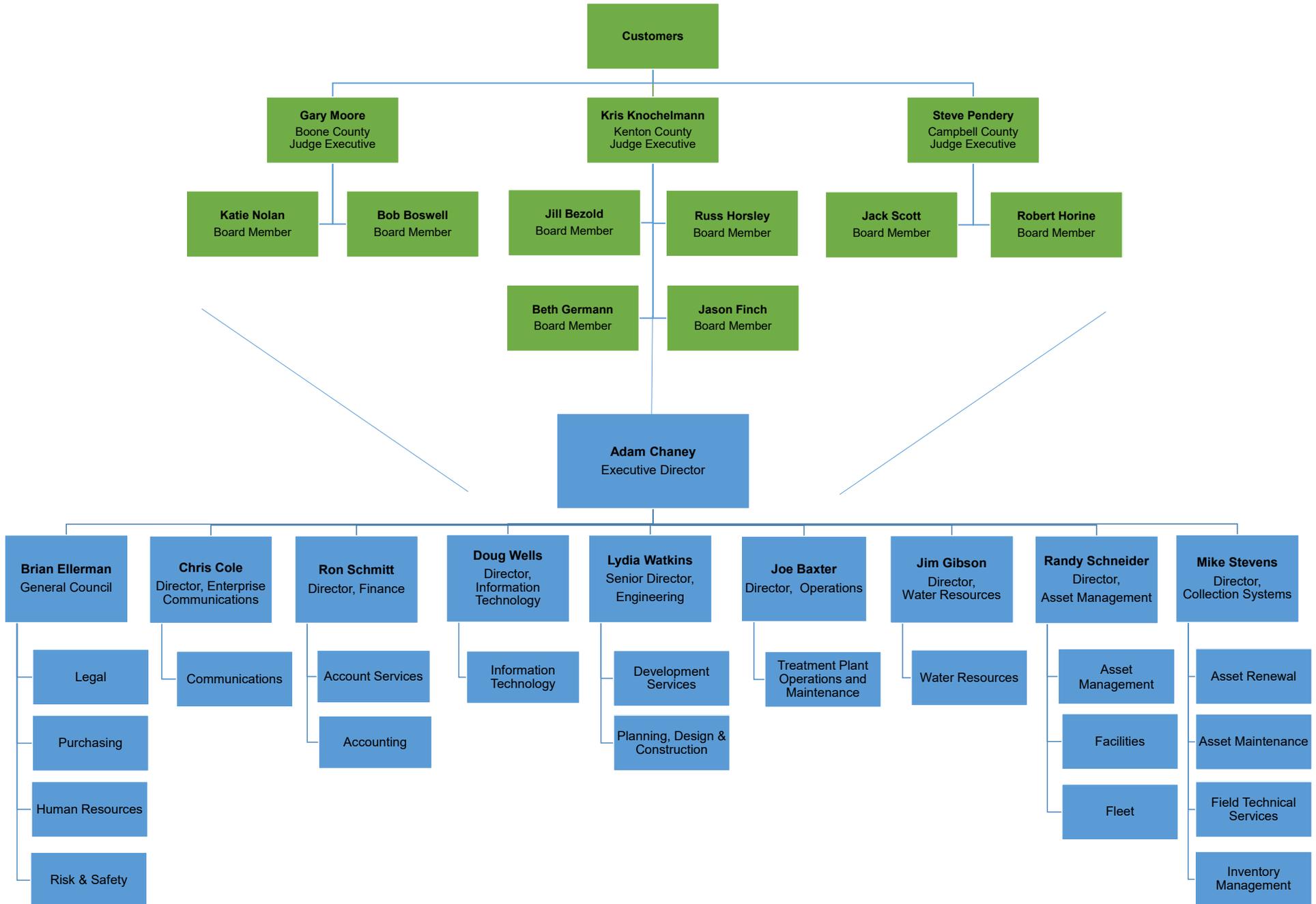
For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2024

*Christopher P. Morill*

Executive Director/CEO

**SANITATION DISTRICT NO. 1  
ORGANIZATION CHART**  
as of June 30, 2025



**FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

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

### **Opinion**

We have audited the accompanying financial statements of the business-type activities of the Sanitation District No. 1, as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Sanitation District No. 1's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Sanitation District No. 1 as of June 30, 2025 and 2024, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

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

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

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

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sanitation District No. 1's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Sanitation District No. 1's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

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

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sanitation District No. 1's basic financial statements. The accompanying Budgetary Comparison Schedule – Budget to Actual is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the

audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule – Budget to Actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Information**

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2025, on our consideration of the Sanitation District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Sanitation District No. 1's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sanitation District No. 1's internal control over financial reporting and compliance.

*Chamberlin Owen & Co., Inc.*

**Chamberlin Owen, & Co., Inc.**  
Erlanger, Kentucky  
December 16, 2025

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

The following is a narrative overview and analysis of the financial activities of Sanitation District No. 1 for fiscal year ended June 30, 2025 and 2024. 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.

### **2025 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 \$1.057 billion (*net position*). Of this amount, \$242 million represents unrestricted net position.
- Net investment in capital assets increased \$36 million to \$726 million.
- Operating revenues increased \$8.3 million to \$141.7 million.
- Operation, maintenance, and administration expenses increased by \$1.55M to \$42.4 million.
- SD1's total outstanding debt decreased by \$24.8 million or 6.32%.

### **2024 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 \$974.2 million (*net position*). Of this amount, \$199 million represents unrestricted net position.
- Net investment in capital assets increased \$18.9 million to \$689.6 million.
- Operating revenues increased \$7.8 million to \$133.4 million.
- Operation, maintenance, and administration expenses decreased \$228,820 to \$40.8 million.
- SD1's total outstanding debt decreased by \$24.4 million or 5.87%.

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

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

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

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

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

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

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in SD1's basic financial statements. The notes to the financial statements can be found on pages 34-82 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 85-104 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 2025 compared to 2024 and 2023.

<b>Table 1 Net Position</b>		<b>June 30,</b>		
		<b>2025</b>	<b>2024</b>	<b>2023 (restated)</b>
<b>Assets</b>				
Current Assets	\$	286,878,870	\$ 247,564,457	\$ 200,730,742
Restricted Assets		88,356,045	86,335,031	99,858,338
Receivables - Noncurrent		335,561	379,621	457,741
Net OPEB Asset		783,208		
Capital Assets		<u>1,104,557,397</u>	<u>1,084,721,159</u>	<u>1,082,210,005</u>
Total Assets		<u>1,480,911,081</u>	<u>1,419,000,268</u>	<u>1,383,256,826</u>
<b>Deferred Outflows of Resources</b>		<u>9,844,541</u>	<u>11,694,553</u>	<u>13,155,298</u>
<b>Liabilities</b>				
Current Liabilities		48,384,728	38,869,515	41,823,702
Noncurrent Liabilities		<u>372,738,798</u>	<u>400,969,347</u>	<u>437,943,785</u>
Total Liabilities		<u>421,123,526</u>	<u>439,838,862</u>	<u>479,767,487</u>
<b>Deferred Inflows of Resources</b>		<u>12,586,546</u>	<u>15,912,051</u>	<u>5,868,826</u>
<b>Net Position</b>				
Net Investment in Capital Assets		726,202,945	689,597,032	670,659,306
Restricted		88,356,045	86,335,031	99,858,338
Unrestricted		<u>242,486,560</u>	<u>199,011,845</u>	<u>140,258,167</u>
<b>Total Net Position</b>	<b>\$</b>	<b><u>1,057,045,550</u></b>	<b>\$ <u>974,943,908</u></b>	<b>\$ <u>910,775,811</u></b>

Total assets increased \$62.6 million in 2025 and \$35 million in 2024. Current assets increased \$39 million in 2025 and \$46.8 million in 2024 primarily due to an increase in unrestricted cash. Noncurrent assets increased \$23.3 million in 2025 and decreased \$11.8 million in 2024. The increase in 2025 was due to an increase in Construction in Process due to increased spending on large projects and the decrease in 2024 was primarily due to the spending of bond proceeds on capital projects with no new bond proceeds added since 2022.

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

Total liabilities decreased \$18.7 million in 2025 and decreased \$39.9 million in 2024. The majority of the decrease in both 2025 and 2024 was a result of normal debt service payments being made on prior year bonds. Additionally, in 2024 the pension and OPEB liabilities decreased by \$15.5 million.

Deferred outflow of resources decreased \$1.8 million in 2025 and \$1.4 million in 2024. Deferred inflow of resources decreased \$3.3 million in 2025 and increased \$10 million in 2024. The majority of the change for both years was primarily a result of differences between pension and OPEB projected and actual earnings on plan investments which will fluctuate each year based on market performance.

Total net position increased \$82.1 million in 2025 and \$64.1 million in 2024. The largest portion of SD1's net position, \$726.2 million or 68.7% in the current fiscal year, reflects its investment in capital assets such as land, buildings, treatment facilities, and collection systems, less any related debt still outstanding used to acquire those assets. SD1 uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although SD1's investment in its capital assets is reported net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of SD1's net position is considered to be restricted. This amount represents resources that are subject to external restrictions on how they may be used. The restricted net position increased 2.29% between 2025 and 2024 and decreased 15.66% between 2023 and 2024. The change in 2025 was due to interest earned on restricted funds, specifically the Debt Service Funds and other restricted investments; however, in previous years the change was primarily a result of issuing revenue bonds in 2022 for the purpose of financing capital related projects and spending down those proceeds in 2023 and 2024. 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 17.93% at the end of 2025 and increased 29.52% at the end of 2024. The majority of the increase in 2025 was due to increased cash due to interest earned and proceeds from project grants, while the increase in 2024 was unrestricted cash reserves as bond proceeds were being used to fund capital improvement projects.

Table 2 shows the changes in net position, as well as revenue and expenses for 2025 compared to 2024 and 2023.

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

**Table 2  
Changes in Net Position**

	<b>Years Ended June 30,</b>		
	<b>2025</b>	<b>2024</b>	<b>2023</b>
<b>Operating Revenues</b>			
Sewer service charges	\$ 121,299,388	\$ 113,082,243	\$ 106,289,349
Storm water charges	11,006,985	11,272,252	11,398,256
Permits and tap-in fees	6,074,665	5,320,903	4,996,098
Sludge hauling	634,577	609,823	427,678
Inspections	284,057	294,589	256,799
Penalties	2,108,534	2,585,178	1,880,575
Contractual services	210,129	207,227	190,054
Bad debt recoveries	15,267	10,402	23,810
Other revenues	68,141	46,210	169,822
<b>Total Operating Revenues</b>	<b>141,701,743</b>	<b>133,428,827</b>	<b>125,632,441</b>
<b>Operating Expenses</b>			
Operation, maintenance and administration	42,417,499	40,866,151	41,094,971
Major repairs and other	924,169	975,294	634,743
Depreciation	41,958,391	41,625,787	41,627,822
<b>Total Operating Expenses</b>	<b>85,300,059</b>	<b>83,467,232</b>	<b>83,357,536</b>
<b>Net Operating Income</b>	<b>56,401,684</b>	<b>49,961,595</b>	<b>42,274,905</b>
<b>Non-Operating Income (Expense)</b>			
Interest Income	12,440,761	13,010,283	8,136,428
Bad Debt - assessment loan receivable	-	-	-
Arbitrage rebate	-	-	-
Interest on long-term debt	(8,633,060)	(9,007,445)	(9,369,647)
Bond issuance cost	-	-	-
Federal credits on Build America Bonds	-	-	-
Families First Coronavirus Response Act Credits	-	-	-
Loss on disposal of capital assets	(4,990,502)	(1,507,156)	(241,892)
Net effect of change in pension expense	3,018,620	2,790,080	1,241,913
Net effect of change in OPEB expense	2,393,624	1,765,770	(695,705)
Net change, fair value of investments	1,382,875	1,297,732	(494,632)
<b>Total Non-Operating Income (Expense)</b>	<b>5,612,318</b>	<b>8,349,264</b>	<b>(1,423,535)</b>
<b>Change in Net Position Before Capital Contributions</b>	<b>62,014,002</b>	<b>58,310,859</b>	<b>40,851,370</b>
<b>Capital Contributions</b>	<b>20,087,640</b>	<b>5,857,238</b>	<b>18,087,877</b>
<b>Change in Net Position</b>	<b>82,101,642</b>	<b>64,168,097</b>	<b>58,939,247</b>
<b>Net Position - Beginning of Year</b>	<b>974,943,908</b>	<b>910,775,811</b>	<b>851,844,618</b>
<b>Net Position - End of Year</b>	<b>\$ 1,057,045,550</b>	<b>\$ 974,943,908</b>	<b>\$ 910,783,865</b>

In 2025, SD1's total operating revenues experienced an increase of \$8.3 million or 6.2%. Sanitary Sewer revenues increased \$8.2 million, which was primarily a result of a 5% rate increase that became effective July 1, 2024. Permits and connection fees increased \$753,000 due to an increase in the number of capacity connection fees which

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

fluctuates each year based on new construction activities and timing of when new permits are issued. Penalties decreased by \$476,000 due to a decrease in fines charged to industrial users; compared to fiscal year 2024, which included a large penalty charged to one individual customer.

In 2024, SD1's total operating revenues experienced an increase of \$7.80 million or 6.21%. Sanitary sewer revenues increased \$6.79 million, which was primarily a result of a 5% rate increase that became effective July 1, 2023. Permits and connection fees increased \$324,800 due to an increase in the number of capacity connection fees. Penalties increased \$704,600 due to more delinquent accounts because of reduced water district resources available for weekly and monthly water shutoffs the first part of the fiscal year. Sludge hauling increased \$182,100 as volumes returned closer to typical demand.

In 2025, operations, maintenance and administration expenses increased \$1,551,348 or 3.8%. The following contributed to the change in expenses:

- Salaries, wages, payroll taxes, and benefits increased \$565,000 primarily due to merit increases and the filling of several open positions. Additionally, the credit in wages reallocated to capital projects decreased by \$227,000 due to less labor allocated to projects during FY25. The increase was offset by a \$400,000 decrease in Pension Plan expenses due to decreased employer contribution percentage from 19.71% in FY24 vs. 18.62% in FY25.
- Professional & Contractual Services increased by \$440,000 from FY24 to FY25. Insurance increased \$204,000 primarily due to various deductibles and out of pocket expenses. Additional increases were seen in Professional & Contractual Services and Bank Services. Professional & Contractual Services increased due to increased expenses in email, software, and hardware supplies along with increased contractual services used by pump stations. Additionally, bank Services increased due to transition expenses related to our new banking relationship.
- Chemicals decreased \$373,000 due to some process improvements and decreased usage due to mild weather and careful monitoring of usage control. This decrease led to an overall decrease of \$127,000 in the Utilities, Fuel Oil & Chemicals category.
- Vehicle Operation Expenses increased by \$104,000 primarily due to increased costs related to maintenance, parts and repairs, and other non-fuel-related expenses.
- Parts, Materials, and Supplies increased over multiple line items. Plant & Equipment – Parts, Materials & Supplies increased due to a centrifuge repair at DCWWTP, and Pump Stations – Parts, Materials & Supplies increased due to preventative maintenance inspections and associated repairs, along with issues at Lakeview and Patten Street Pump Stations.

In 2024, operations, maintenance and administration expenses decreased \$228,800 or (.56)%. The following contributed to the change in expenses:

- Salaries, wages, payroll taxes, and benefits increased \$756,000 primarily due to merit and holiday increases and the filling of several open positions. The increase was offset by a \$430,000 credit in wages reallocated to capital projects due to improved utilization rates of internal engineering staff for the planning, designing and project management of an increasing number of construction projects. The increase was also offset by a \$349,000 decrease in Pension Plan expenses due to decreased employer contribution percentage from 26.79% in FY23 vs. 23.34% in FY24.
- Insurance decreased \$98,000 primarily due to a savings in deductibles and out of pocket expenses in the fiscal year.

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

- Professional and Contractual Services increased by \$291,000 primarily due to the Collection Systems Department increasing CSAP work to catch up on a backlog of work from the previous years. This and the shift of focus will allow SD1 to have the most up-to-date data for the Asset Renewal Model.
- Chemicals decreased \$163,000 due to some process improvements and decreased usage due to mild weather and careful monitoring of usage control. This decrease led to an overall decrease of \$207,000 in the Utilities, Fuel Oil & Chemicals category.
- Vehicle Operation Expenses decreased by \$193,000 due to decreased fuel price per gallon, fewer miles driven by the fleet as a whole, and lower fleet repairs aided by right sizing the fleet and new assets being added over the past few years.
- Private Lateral and Basement Back-Up Assistance Programs together increased by \$103,000 due to increased demand for both programs.

Non-operating activities decreased \$2.7 million in 2025 which was primarily due to an increase in Loss on Disposal of Fixed Assets due to some extensive work done on some of the pump stations. The Highland Heights and Southgate pump stations were rehabbed with the replacement of three pumps, pump stands, pump controls, electrical equipment, valves, and discharge piping.

Non-operating activities increased \$9.78 million in 2024 which was the net result of a \$4.9 million increase in interest income due to an increasing federal funds rate and higher cash balances; \$1.8 million net appreciation in fair value of investments; \$4.2 million increase in SD1's share of the net effect of change in pension and OPEB liabilities.

Capital contributions increased \$3.8 million in 2025 and decreased \$12.2 million in 2024. 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, 2025, was \$1.105 billion (net of accumulated depreciation). This represents a 1.8% increase from 2024. Capital assets increased \$58.3 million offset by \$38.8 million in additional accumulated depreciation. Major sanitary capital assets added during the year included \$3 million for extensive pump station replacements, including the Highland Heights and Southgate pump stations; \$13 million for the US27 & AA Highway sewer improvement project; and \$2.9 million for PLC replacements at Dry Creek, Western, Eastern, and Lakeview. Major storm water capital assets added during the year included an Aqua Headwall replacement and an extensive sewer upsizing project at Fitzgerald and Forest in Erlanger. At June 30, 2025, SD1 also had \$19 million of Construction In Process for both Sanitary projects and Stormwater projects.

SD1's investment in capital assets as of June 30, 2024, was \$1.085 billion (net of accumulated depreciation). This represents a 0.22% increase from 2023. Capital assets increased \$39.2 million and accumulated depreciation increased \$36.8 million. Major sanitary capital assets added during the year included \$9.5 million for new and improved sewer lines and infrastructure; \$4.3million in pumping system improvements, telemetry upgrades, and equipment replacements; and \$2.7million for river water intrusion improvements including the rehab of ERWTF clarifier tanks. Major storm water capital assets added during the year included \$5 million in new storm water pipes and infrastructure. At June 30, 2024, SD1 also had \$17 million of Construction In Process for both Sanitary projects and Stormwater projects.

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

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

	<b>June 30,</b>		
	<b>2025</b>	<b>2024</b>	<b>2023</b>
<b>Not Being Depreciated</b>			
Land	\$ 20,453,001	\$ 20,415,305	\$ 20,214,768
Construction in Progress	87,368,079	67,927,765	50,690,266
<b>Other Capital Assets</b>			
Land Improvements	6,585,899	6,505,272	6,505,272
Collection System	841,906,525	819,717,890	808,605,070
Pumping System	115,307,962	110,429,261	106,638,449
Treatment and Disposal	281,550,811	279,869,117	278,454,472
General Buildings and Structures	30,542,170	30,074,955	30,070,194
Office Furniture and Equipment	10,250,462	9,885,132	9,516,643
Vehicle and Accessories	8,402,113	8,336,760	8,626,757
Machinery and Equipment	6,655,434	6,347,161	6,167,115
Software Model Development	-	-	-
Storm Water Collection System	433,358,235	424,494,064	419,296,877
Subtotal	1,842,380,691	1,784,002,682	1,744,785,883
Subscription-based asset, net	1,010,885	721,832	-
Less Accumulated Depreciation	738,834,179	700,004,356	663,146,877
<b>Totals</b>	<b>\$ 1,104,557,397</b>	<b>\$ 1,084,720,158</b>	<b>\$ 1,081,639,006</b>

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

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

**Debt Administration**

SD1 ended fiscal year 2025 with \$367 million in outstanding bonds and notes compared to \$392 million in 2024 and \$416.4 million in 2023. This represents a decrease of 6.32% in 2025 and a 5.87% decrease in 2024 as shown in Table 4. In 2022, SD1 issued revenue bonds in the amount of \$70 million to finance various capital improvement projects and issued refunding bonds in the amount of \$11.5 million to refinance an outstanding Kentucky Infrastructure Authority note payable to take advantage of favorable interest rates.

Table 4 summarizes SD1’s outstanding debt at June 30, 2025, 2024, and 2023.

		<b>Table 4 Debt Summary</b>		
		<b>June 30,</b>		
		<b>2025</b>	<b>2024</b>	<b>2023</b>
Bond Indebtedness	\$	301,664,116	\$ 319,341,127	\$ 336,789,121
Notes Payable		65,582,998	72,698,881	79,709,202
		<b>\$ 367,247,114</b>	<b>\$ 392,040,008</b>	<b>\$ 416,498,323</b>

Additional information on SD1’s long-term debt can be found in the Long-Term Debt note to the financial statements on pages 48-53 of this report.

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

In May 2025, SD1’s Board of Directors and the Judges Executive of Boone, Campbell and Kenton Counties approved the fiscal year 2026 Operating & Maintenance (O&M) and Capital Budgets. The 2026 O&M Budget was approved for \$46 million, which reflects a .68% decrease compared to the 2025 Budget.

The revenue budget continues its residential sanitary sewer rate structure along with a similar structure for non-residential sewer rates. Both rate structures aimed at aligning sewer rates more closely with the actual fixed costs of providing service. In accordance with the plan, SD1 charges a residential base rate for the first 2 hundred cubic feet (HCF) of water treated and a variable rate for each additional HCF of water treated. Similarly, SD1 charges a non-residential base rate for the first 2 hundred cubic feet (HCF) of water for monthly billed customers or for the first 6 hundred cubic feet (HCF) of water for quarterly billed customers. The projected impact of a 5.0% increase in rates is \$5.85 million over 2025 sewer service revenue. Capacity fee connection revenue is budgeted at \$4.8 million which is a \$905,000 decrease over 2025 revenue and was determined based on fewer permit requests from developers. The budget anticipates a \$512,000 decrease in storm water revenue primarily due to a 5% reduction in the stormwater management fee as a result of enhanced efficiencies and improved technologies while still addressing critical stormwater infrastructure needs across the region to combat flooding, erosion, and improvements to water quality.

In preparing the 2026 operating budget, the continued focus was on controlling expenditures in light of the current economic climate, rising inflation on materials and services, escalating costs associated with tariffs, regulatory requirements, aging infrastructure, and changing community needs. The budget was developed with an emphasis on continued innovations and efficiencies, collaboration and communication between departments and outside stakeholders, and the retention, attraction, and development of SD1 personnel.

SD1’s 2026 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

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

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 \$660 million, of which \$628.4 million is estimated for sanitary projects, \$29.3 million for storm water projects, and \$2.2 million for capital asset purchases.

The 2026 capital budget approved spending plan calls for \$100 million, of which \$29.9 million is for sanitary and storm water asset management projects, \$38.4 million for Clean H2O40 projects, \$23.4 million for economic growth and community needs, \$4.58 million for storm water capital improvement projects, \$1.9 million for storm water cost share programs, \$150,000 for storm water planning development, and \$2.2 million for new capital asset purchases.

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

**Contacting SD1's Financial Management**

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

**SANITATION DISTRICT NO. 1**  
**STATEMENT OF NET POSITION**  
**June 30, 2025**

	<u>Sanitation</u>	<u>Stormwater</u>	<u>Total</u>
<b>Assets and Deferred Outflows of Resources</b>			
<b>Assets</b>			
Current Assets			
Cash and cash equivalents	\$ 202,622,367	\$ 34,585,035	\$ 237,207,402
Investments	14,924,383	-	14,924,383
Accounts receivable			
Customers	9,610,841	1,537,700	11,148,541
Communities	110,544	-	110,544
KIA grant	5,182,005	-	5,182,005
Other	3,534,383	-	3,534,383
Accrued unbilled charges	12,024,000	1,353,400	13,377,400
Prepays and deposits	1,197,189	783	1,197,972
Accrued interest income	166,804	29,436	196,240
Total Current Assets	<u>249,372,516</u>	<u>37,506,354</u>	<u>286,878,870</u>
Noncurrent Assets			
Restricted Assets			
Cash and cash equivalents	1,147,089	1,114,487	2,261,576
Investments	83,875,551	1,805,379	85,680,930
Accrued interest	413,539	-	413,539
Total Restricted Assets	<u>85,436,179</u>	<u>2,919,866</u>	<u>88,356,045</u>
Assessments receivable	<u>335,561</u>	<u>-</u>	<u>335,561</u>
Net OPEB Asset	<u>661,497</u>	<u>121,711</u>	<u>783,208</u>
Capital Assets			
Land	18,216,209	2,236,792	20,453,001
System, building, and equipment	1,300,871,788	433,687,823	1,734,559,611
Less: accumulated depreciation	<u>(538,646,841)</u>	<u>(200,187,338)</u>	<u>(738,834,179)</u>
Total utility plant in service	780,441,156	235,737,277	1,016,178,433
Construction in progress	82,378,000	4,990,079	87,368,079
Subscription assets, net of amortization	1,010,885	-	1,010,885
Total Capital Assets, Net	<u>863,830,041</u>	<u>240,727,356</u>	<u>1,104,557,397</u>
Total Noncurrent Assets	<u>950,263,278</u>	<u>243,768,933</u>	<u>1,194,032,211</u>
Total Assets	<u>1,199,635,794</u>	<u>281,275,287</u>	<u>1,480,911,081</u>
<b>Deferred Outflow of Resources</b>			
Deferred loss on refundings	4,504,473	-	4,504,473
Deferred outflows related to pensions	3,543,831	652,038	4,195,869
Deferred outflows related to OPEB	966,390	177,809	1,144,199
Total Deferred Outflow of Resources	<u>9,014,694</u>	<u>829,847</u>	<u>9,844,541</u>
<b>Total Assets and Deferred</b>			
<b>Outflow of Resources</b>	<u>\$ 1,208,650,488</u>	<u>\$ 282,105,134</u>	<u>\$ 1,490,755,622</u>

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

<b>SANITATION DISTRICT NO. 1</b> <b>STATEMENT OF NET POSITION (Continued)</b> <b>June 30, 2025</b>
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	<u>Sanitation</u>	<u>Stormwater</u>	<u>Total</u>
<b>Liabilities and Deferred Inflow of Resources</b>			
<b>Liabilities</b>			
Current Liabilities			
Bond indebtedness	\$ 15,195,000	\$ -	\$ 15,195,000
Notes payable	7,223,229	-	7,223,229
IT subscription obligation	284,115	-	284,115
Accounts payable	18,031,139	745,449	18,776,588
Accrued payroll and benefits	480,650	106,346	586,996
Accrued interest payable	4,288,326	-	4,288,326
Accrued taxes and pension	36,739	-	36,739
Compensated absences	982,114	268,323	1,250,437
Sales tax payable	214	-	214
Other liabilities	743,084	-	743,084
Total Current Liabilities	<u>47,264,610</u>	<u>1,120,118</u>	<u>48,384,728</u>
Long-Term Liabilities (Net of Current Portion)			
Bonded indebtedness	286,469,116	-	286,469,116
Notes payable	58,359,759	-	58,359,759
IT subscription obligation	730,203	-	730,203
Compensated absences	89,350	39,119	128,469
Net pension liability	22,847,487	4,203,764	27,051,251
Total Long-Term Liabilities	<u>368,495,915</u>	<u>4,242,883</u>	<u>372,738,798</u>
Total Liabilities	<u>415,760,525</u>	<u>5,363,001</u>	<u>421,123,526</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflow related to pensions	3,666,050	674,525	4,340,575
Deferred inflow related to OPEB	6,964,546	1,281,425	8,245,971
Total Deferred Inflows of Resources	<u>10,630,596</u>	<u>1,955,950</u>	<u>12,586,546</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>426,391,121</u>	<u>7,318,951</u>	<u>433,710,072</u>
<b>Net Position</b>			
Net investment in capital assets	484,792,035	241,410,910	726,202,945
Restricted for:			
Debt service funds	45,891,487	-	45,891,487
Operations, infrastructure, and insurance	38,397,603	1,805,379	40,202,982
Capital improvement project and programs	-	-	-
Other purposes	1,147,089	1,114,487	2,261,576
Unrestricted	212,031,153	30,455,407	242,486,560
<b>Total Net Position</b>	<u>782,259,367</u>	<u>274,786,183</u>	<u>1,057,045,550</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 1,208,650,488</u>	<u>\$ 282,105,134</u>	<u>\$ 1,490,755,622</u>

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

**SANITATION DISTRICT NO. 1**  
**STATEMENT OF NET POSITION**  
**June 30, 2024**

	<i>Reclassified</i>		<b>Total</b>
	<b>Sanitation</b>	<b>Stormwater</b>	
<b>Assets and Deferred Outflows of Resources</b>			
<b>Assets</b>			
Current Assets			
Cash and cash equivalents	\$ 171,601,106	\$ 32,746,760	\$ 204,347,866
Investments	14,059,267	-	14,059,267
Accounts receivable			
Customers	9,279,787	1,598,855	10,878,642
Communities	11,362	-	11,362
Other	3,907,651	-	3,907,651
Accrued unbilled charges	11,549,800	1,397,800	12,947,600
Prepays and deposits	1,302,885	720	1,303,605
Accrued interest income	92,194	16,270	108,464
Total Current Assets	<u>211,804,052</u>	<u>35,760,405</u>	<u>247,564,457</u>
Noncurrent Assets			
Restricted Assets			
Cash and cash equivalents	1,099,988	1,205,498	2,305,486
Investments	81,816,416	1,728,417	83,544,833
Accrued interest	484,712	-	484,712
Total Restricted Assets	<u>83,401,116</u>	<u>2,933,915</u>	<u>86,335,031</u>
Receivables			
Assessments	379,621	-	379,621
Capital Assets			
Land	18,282,013	2,133,292	20,415,305
System, building, and equipment	1,270,844,340	424,816,273	1,695,660,613
Less: accumulated depreciation	<u>(513,703,090)</u>	<u>(186,301,265)</u>	<u>(700,004,355)</u>
Total utility plant in service	775,423,263	240,648,300	1,016,071,563
Construction in progress	63,692,615	4,235,149	67,927,764
Subscription assets, net of amortization	721,832	-	721,832
Total Capital Assets, Net	<u>839,837,710</u>	<u>244,883,449</u>	<u>1,084,721,159</u>
Total Noncurrent Assets	<u>923,618,447</u>	<u>247,817,364</u>	<u>1,171,435,811</u>
Total Assets	<u>1,135,422,499</u>	<u>283,577,769</u>	<u>1,419,000,268</u>
<b>Deferred Outflow of Resources</b>			
Deferred loss on refundings	5,010,201	-	5,010,201
Deferred outflows related to pensions	3,839,294	1,082,210	4,921,504
Deferred outflows related to OPEB	1,375,208	387,640	1,762,848
Total Deferred Outflow of Resources	<u>10,224,703</u>	<u>1,469,850</u>	<u>11,694,553</u>
<b>Total Assets and Deferred Outflow of Resources</b>	<u>\$ 1,145,647,202</u>	<u>\$ 285,047,619</u>	<u>\$ 1,430,694,821</u>

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

<b>SANITATION DISTRICT NO. 1</b> <b>STATEMENT OF NET POSITION (Continued)</b> <b>June 30, 2024</b>
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	<u>Sanitation</u>	<u>Stormwater</u>	<u>Total</u>
<b>Liabilities and Deferred Inflow of Resources</b>			
<b>Liabilities</b>			
Current Liabilities			
Bond indebtedness	\$ 14,455,000	\$ -	\$ 14,455,000
Notes payable	7,115,893	-	7,115,893
IT subscription obligation	167,958	-	167,958
Accounts payable	9,225,292	1,089,415	10,314,707
Accrued payroll and benefits	433,462	102,294	535,756
Accrued interest payable	4,599,566	-	4,599,566
Accrued taxes and pension	18,072	-	18,072
Compensated absences	895,754	240,825	1,136,579
Sales tax payable	1,504	-	1,504
Other liabilities	524,480	-	524,480
Total Current Liabilities	<u>37,436,981</u>	<u>1,432,534</u>	<u>38,869,515</u>
Long-Term Liabilities (Net of Current Portion)			
Bonded indebtedness	304,886,126	-	304,886,126
Notes payable	65,582,988	-	65,582,988
IT subscription obligation	562,612	-	562,612
Compensated absences	130,938	107,618	238,556
Net pension liability	23,677,880	6,674,258	30,352,138
Net OPEB liability	(509,465)	(143,608)	(653,073)
Total Long-Term Liabilities	<u>394,331,079</u>	<u>6,638,268</u>	<u>400,969,347</u>
Total Liabilities	<u>431,768,060</u>	<u>8,070,802</u>	<u>439,838,862</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflow related to pensions	3,731,982	1,051,962	4,783,944
Deferred inflow related to OPEB	8,681,101	2,447,006	11,128,107
Total Deferred Inflows of Resources	<u>12,413,083</u>	<u>3,498,968</u>	<u>15,912,051</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>444,181,143</u>	<u>11,569,770</u>	<u>455,750,913</u>
<b>Net Position</b>			
Net investment in capital assets	444,713,583	244,883,449	689,597,032
Restricted for:			
Debt service funds	45,322,658	-	45,322,658
Operations, infrastructure, and insurance	36,978,471	1,728,416	38,706,887
Capital improvement project and programs	-	-	-
Other purposes	1,099,988	1,205,498	2,305,486
Unrestricted	<u>173,351,359</u>	<u>25,660,486</u>	<u>199,011,845</u>
Total Net Position	<u>701,466,059</u>	<u>273,477,849</u>	<u>974,943,908</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 1,145,647,202</u>	<u>\$ 285,047,619</u>	<u>\$ 1,430,694,821</u>

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

<b>SANITATION DISTRICT NO. 1</b> <b>STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION</b> <b>For the Year Ended June 30, 2025</b>
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	<u>Sanitation</u>	<u>Stormwater</u>	<u>Total</u>
<b>Operating Revenues</b>			
Sewer service charges	\$ 121,299,388	\$ -	\$ 121,299,388
Storm water charges	-	11,006,985	11,006,985
Permits and tap-in fees	6,004,120	70,545	6,074,665
Sludge hauling	634,577	-	634,577
Inspections	108,261	175,796	284,057
Penalties and fines	1,927,203	181,331	2,108,534
Contractual services	210,129	-	210,129
Bad debt recoveries	15,267	-	15,267
Other revenues	68,141	-	68,141
<b>Total Operating Revenues</b>	<u>130,267,086</u>	<u>11,434,657</u>	<u>141,701,743</u>
<b>Operating Expenses</b>			
Operation, maintenance and administration	36,859,735	5,557,764	42,417,499
Major repairs and other	611,432	312,737	924,169
Depreciation	27,963,686	13,994,705	41,958,391
<b>Total Operating Expenses</b>	<u>65,434,853</u>	<u>19,865,206</u>	<u>85,300,059</u>
<b>Operating Income (Expense)</b>	<u>64,832,233</u>	<u>(8,430,549)</u>	<u>56,401,684</u>
<b>Non-Operating Income</b>			
Interest income	10,906,835	1,533,926	12,440,761
Interest on long-term debt	(8,633,060)	-	(8,633,060)
Gain/(Loss) on disposal of capital assets	(4,495,500)	(495,002)	(4,990,502)
Net effect of change in pension expense	600,862	2,417,758	3,018,620
Net effect of change in OPEB expense	1,459,770	933,854	2,393,624
Net change, fair value of investments	1,370,154	12,721	1,382,875
<b>Total Non-Operating Income (Expense)</b>	<u>1,209,061</u>	<u>4,403,257</u>	<u>5,612,318</u>
<b>Change in Net Position Before Capital Contributions</b>	66,041,294	(4,027,292)	62,014,002
Capital Contributions	14,752,014	5,335,626	20,087,640
Transfers In (Out)	-	-	-
<b>Change in Net Position</b>	80,793,308	1,308,334	82,101,642
<b>Net Position, Beginning of Year</b>	<u>701,466,059</u>	<u>273,477,849</u>	<u>974,943,908</u>
<b>Net Position, End of Year</b>	<u>\$ 782,259,367</u>	<u>\$ 274,786,183</u>	<u>\$ 1,057,045,550</u>

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

<b>SANITATION DISTRICT NO. 1</b> <b>STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION</b> <b>For the Year Ended June 30, 2024</b>
---

<b>Operating Revenues</b>	<b>Sanitation</b>	<b>Stormwater</b>	<b>Total</b>
Sewer service charges	\$ 113,082,243	\$ -	\$ 113,082,243
Storm water charges	-	11,272,252	11,272,252
Permits and tap-in fees	5,230,710	90,193	5,320,903
Sludge hauling	609,823	-	609,823
Inspections	101,264	193,325	294,589
Penalties and fines	2,388,059	197,119	2,585,178
Contractual services	207,227	-	207,227
Bad debt recoveries	10,402	-	10,402
Other revenues	46,210	-	46,210
<b>Total Operating Revenues</b>	<b>121,675,938</b>	<b>11,752,889</b>	<b>133,428,827</b>
<b>Operating Expenses</b>			
Operation, maintenance and administration	35,111,710	5,754,441	40,866,151
Major repairs and other	831,392	143,902	975,294
Depreciation	27,692,604	13,933,183	41,625,787
<b>Total Operating Expenses</b>	<b>63,635,706</b>	<b>19,831,526</b>	<b>83,467,232</b>
<b>Operating Income (Expense)</b>	<b>58,040,232</b>	<b>(8,078,637)</b>	<b>49,961,595</b>
<b>Non-Operating Income</b>			
Interest income	11,186,007	1,824,276	13,010,283
Interest on long-term debt	(9,007,445)	-	(9,007,445)
Gain/(Loss) on disposal of capital assets	(1,507,156)	-	(1,507,156)
Net effect of change in pension expense	2,301,782	488,298	2,790,080
Net effect of change in OPEB expense	1,417,242	348,528	1,765,770
Net change, fair value of investments	1,269,711	28,021	1,297,732
<b>Total Non-Operating Income (Expense)</b>	<b>5,660,141</b>	<b>2,689,123</b>	<b>8,349,264</b>
<b>Change in Net Position Before Capital Contributions</b>	<b>63,700,373</b>	<b>(5,389,514)</b>	<b>58,310,859</b>
Capital Contributions	1,787,170	4,070,068	5,857,238
Transfers In (Out)	-	-	-
<b>Change in Net Position</b>	<b>65,487,543</b>	<b>(1,319,446)</b>	<b>64,168,097</b>
<b>Net Position, Beginning of Year</b>	<b>635,978,516</b>	<b>274,797,295</b>	<b>910,775,811</b>
<b>Net Position, End of Year</b>	<b>\$ 701,466,059</b>	<b>\$ 273,477,849</b>	<b>\$ 974,943,908</b>

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

<b>SANITATION DISTRICT NO. 1</b> <b>STATEMENT OF CASH FLOWS</b> <b>For the Year Ended June 30, 2025</b>
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	<b>Sanitation</b>	<b>Stormwater</b>	<b>Total</b>
<b>Cash Flows from Operating Activities</b>			
Received from customers	\$ 124,553,913	\$ 11,540,212	\$ 136,094,125
Paid to suppliers for goods and services	(10,438,995)	(1,909,755)	(12,348,750)
Paid to or on behalf of employees for services	(17,508,940)	(4,341,724)	(21,850,664)
<b>Change in Net Cash from Operating Activities</b>	<u>96,605,978</u>	<u>5,288,733</u>	<u>101,894,711</u>
<b>Cash Flows from Investing Activities</b>			
Investment income	10,874,964	1,520,760	12,395,724
Proceeds from sale of investments	40,513,200	19,357	40,532,557
Purchase of investments	(42,067,297)	(83,598)	(42,150,895)
<b>Change in Net Cash from Investing Activities</b>	<u>9,320,867</u>	<u>1,456,519</u>	<u>10,777,386</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Cash received from sale of asset	302,788	-	302,788
Payments made on long term debt	(21,570,893)	-	(21,570,893)
Interest paid	(11,660,583)	-	(11,660,583)
Acquisition and construction of capital assets	(42,002,289)	(4,997,988)	(47,000,277)
Principal received on assessments	44,060	-	44,060
Assessment interest income	28,434	-	28,434
<b>Change in Net Cash from Capital and Related Financing Activities</b>	<u>(74,858,483)</u>	<u>(4,997,988)</u>	<u>(79,856,471)</u>
<b>Increase in Cash and Cash Equivalents</b>	31,068,362	1,747,264	32,815,626
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>172,701,094</u>	<u>33,952,258</u>	<u>206,653,352</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 203,769,456</u>	<u>\$ 35,699,522</u>	<u>\$ 239,468,978</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>			
Operating income (loss)	\$ 64,832,233	\$ (8,430,549)	\$ 56,401,684
<b>Adjustments to reconcile net income to net cash from operating activities:</b>			
Depreciation	27,963,686	13,994,705	41,958,391
Change in operating assets and liabilities			
Decrease (Increase) in receivables	(331,054)	61,155	(269,899)
Dec. (Inc.) in accrued unbilled charges	(474,200)	44,400	(429,800)
Dec. (Inc.) in communities receivable	(99,182)	-	(99,182)
Dec. (Inc.) in other receivables	(4,808,737)	-	(4,808,737)
Dec. (Inc.) in prepaid assets	105,696	(63)	105,633
Increase (Decrease) in accounts payable	8,805,847	(343,966)	8,461,881
Inc. (Dec.) in accrued payroll, benefits	47,188	4,052	51,240
Inc. (Dec.) in accrued taxes, pension	18,667	-	18,667
Inc. (Dec.) in sales taxes	(1,290)	-	(1,290)
Inc. (Dec.) in subscription-based IT obligation	283,748	-	283,748
Inc. (Dec.) in compensated absences	44,772	(41,001)	3,771
Inc. (Dec.) in other liabilities	218,604	-	218,604
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 96,605,978</u>	<u>\$ 5,288,733</u>	<u>\$ 101,894,711</u>

<b>SANITATION DISTRICT NO. 1</b> <b>STATEMENT OF CASH FLOWS (Continued)</b> <b>For the Year Ended June 30, 2025</b>
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**Supplemental Schedule of Noncash Capital and Related Financing**

Change in fair value of investments	\$ 1,370,154	\$ 12,721	\$ 1,382,875
Investment fees	\$ (57,321)	\$ (1,666)	\$ (58,988)
Contributions of capital assets	\$ 14,752,014	\$ 5,335,626	\$ 20,087,640
Retainage payable	\$ (15,281,059)	\$ (683,554)	\$ (15,964,613)
Net effect of change in pension expense	\$ 600,862	\$ 2,417,758	\$ 3,018,620
Net effect of change in OPEB expense	\$ 1,459,770	\$ 933,854	\$ 2,393,624
Amortization expense	\$ (2,716,283)	\$ -	\$ (2,716,283)

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

Cash and Cash Equivalents - Current	\$ 202,622,367	\$ 34,585,035	\$ 237,207,402
Cash and Cash Equivalents - Restricted	1,147,089	1,114,487	2,261,576
Cash and Cash Equivalents, June 30, 2025	\$ 203,769,456	\$ 35,699,522	\$ 239,468,978

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

**SANITATION DISTRICT NO. 1**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2024**

	<b>Sanitation</b>	<b>Stormwater</b>	<b>Total</b>
<b>Cash Flows from Operating Activities</b>			
Received from customers	\$ 122,724,620	\$ 11,760,183	\$ 134,484,803
Paid to suppliers for goods and services	(20,409,849)	(411,307)	(20,821,156)
Paid to or on behalf of employees for services	(16,425,783)	(4,565,937)	(20,991,720)
<b>Change in Net Cash from Operating Activities</b>	<b>85,888,988</b>	<b>6,782,939</b>	<b>92,671,927</b>
<b>Cash Flows from Investing Activities</b>			
Investment income	10,899,719	1,813,991	12,713,710
Proceeds from sale of investments	35,591,467	95,026	35,686,493
Purchase of investments	(37,931,583)	(54,014)	(37,985,597)
<b>Change in Net Cash from Investing Activities</b>	<b>8,559,603</b>	<b>1,855,003</b>	<b>10,414,606</b>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Cash received from sale of asset	199,970	-	199,970
Payments made on long term debt	(20,760,321)	-	(20,760,321)
Interest paid	(12,485,351)	-	(12,485,351)
Acquisition and construction of capital assets	(34,846,823)	(4,988,491)	(39,835,314)
Principal received on assessments	78,120	-	78,120
Assessment interest income	29,493	-	29,493
<b>Change in Net Cash from Capital and Related Financing Activities</b>	<b>(67,784,912)</b>	<b>(4,988,491)</b>	<b>(72,773,403)</b>
<b>Increase in Cash and Cash Equivalents</b>	<b>26,663,679</b>	<b>3,649,451</b>	<b>30,313,130</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>146,037,415</b>	<b>30,302,807</b>	<b>176,340,222</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 172,701,094</b>	<b>\$ 33,952,258</b>	<b>\$ 206,653,352</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>			
Operating income (loss)	\$ 58,040,232	\$ (8,078,637)	\$ 49,961,595
<b>Adjustments to reconcile net income to net cash from operating activities:</b>			
Depreciation	27,692,604	13,933,183	41,625,787
Change in operating assets and liabilities			
Decrease (Increase) in receivables	(967,371)	6,460	(960,911)
Dec. (Inc.) in accrued unbilled charges	(616,935)	834	(616,101)
Dec. (Inc.) in communities receivable	9,941	-	9,941
Dec. (Inc.) in other receivables	2,623,047	-	2,623,047
Dec. (Inc.) in prepaid assets	(189,563)	225	(189,338)
Increase (Decrease) in accounts payable	(970,184)	888,335	(81,849)
Inc. (Dec.) in accrued payroll, benefits	52,569	12,295	64,864
Inc. (Dec.) in accrued taxes, pension	10,623	-	10,623
Inc. (Dec.) in sales taxes	379	-	379
Inc. (Dec.) in compensated absences	44,692	20,244	64,936
Inc. (Dec.) in other liabilities	158,954	-	158,954
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 85,888,988</b>	<b>\$ 6,782,939</b>	<b>\$ 92,671,927</b>

<b>SANITATION DISTRICT NO. 1</b> <b>STATEMENT OF CASH FLOWS (Continued)</b> <b>For the Year Ended June 30, 2024</b>
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**Supplemental Schedule of Noncash Capital and Related Financing**

Change in fair value of investments	\$ 1,269,711	\$ 28,021	\$ 1,297,732
Investment fees	\$ (56,156)	\$ (1,665)	\$ (57,821)
Contributions of capital assets	\$ 1,787,170	\$ 4,070,068	\$ 5,857,238
Net effect of change in pension expense	\$ 2,301,782	\$ 488,298	\$ 2,790,080
Net effect of change in OPEB expense	\$ 1,417,242	\$ 348,528	\$ 1,765,770
Amortization expense	\$ (3,181,518)	\$ -	\$ (3,181,518)

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

Cash and Cash Equivalents - Current	\$ 171,601,106	\$ 32,746,760	\$ 204,347,866
Cash and Cash Equivalents - Restricted	1,099,988	1,205,498	2,305,486
Cash and Cash Equivalents, June 30, 2024	\$ 172,701,094	\$ 33,952,258	\$ 206,653,352

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

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2025 and 2024</b>
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## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Description of SD1**

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

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

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

### **Reporting Entity**

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

### **Basis of Accounting and Presentation**

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

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

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

The basic financial statements are presented in conformity with generally accepted Enterprise Fund accounting principles applicable to public waste water utilities. The following is a summary of the significant policies. As previously stated, the accompanying financial statements are prepared on the accrual basis of accounting.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2025 and 2024</b>
---

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

**Fund Structure**

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

1. Sanitation Fund
2. Storm Water Fund

**Sanitation Fund**

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

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

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

**Storm Water Fund**

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

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

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

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2025 and 2024</b>
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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Use of Estimates**

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

**Operating Revenues and Expenses**

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

**Cash and Cash Equivalents**

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

**Investments**

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

**Accounts Receivable - Customers**

SD1 follows a monthly cycle billing procedure. When meter readings are delayed, bills are rendered based on estimated meter readings to promote consistency of sewer service revenue. Accounts receivable and related sewer service revenue are recorded when billed. The financial statements include an estimate for unbilled sewer and storm water charges of \$13,377,400 and \$12,947,600 as of June 30, 2025 and June 30, 2024, 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, 2025 and 2024 because management expects no material losses.

**Inventory**

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

**SANITATION DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2025 and 2024**

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

**Deferred Outflows and Inflows of Resources**

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

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

**Capital Assets**

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

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

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

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

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

**Construction in Progress**

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

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2025 and 2024</b>
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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Contributions**

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

**Pensions**

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

**Postemployment Benefits Other Than Pensions (OPEB)**

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

**Compensated Absences**

Employees of SD1 are entitled to paid vacation depending on length of service and other factors. The amounts recorded for accumulated vacation for the years ended June 30, 2025 and 2024 were \$1,378,906 and \$1,375,135, 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.

**Subscription-Based Information Technology Arrangements**

SD1 has entered into multiple contracts that convey control of the right to use information technology software. SD1 has recognized an IT subscription liability and an intangible right-to-use IT subscription asset in the government-wide financial statements. At the commencement of the IT subscription term, the District initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the IT subscription liability is reduced by the principal portion of payments made. The right-to-use an IT subscription asset is initially measured as the sum of the initial IT subscription liability, adjusted for payments made at or before the commencement date, plus capitalization implementation costs less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Subsequently, the right-to-use IT subscription asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to IT subscription arrangements include how SD1 determines the discount rate it uses to discount the expected payments to present value, term, and payments.

Because the interest rates charged by vendors are not provided, SD1 uses the Federal Prime Interest Rate at June 30 of the fiscal year in which the contract is signed as the discount rate.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2025 and 2024</b>
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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The IT subscription term includes the noncancellable period of the subscription. Payments included in the measurement of the liability are composed of fixed payments.

SD1 monitors changes in circumstances that would require a remeasurement of its IT subscription and will remeasure the right-to-use IT subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Right-to-use IT subscription assets are reported with non-current assets and IT subscription liabilities are reported with both current and long-term liabilities on the statement of net position.

**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 annually evaluates all bond issuances subject to arbitrage rebate requirements.

**Net Position**

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

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

**Bond Premiums, Discounts, and Issue Costs**

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

**Adoption of New Accounting Standards**

*GASB Statement No. 99, Omnibus 2022*

GASB 99 is related to leases, public-private partnerships, and subscription-based information technology arrangements will take effect for financial statements starting with the fiscal year that ends June 30, 2023. The requirement related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 was effective for the fiscal year that ends June 30, 2024. This statement had no significant impact on SD1s financial statements.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2025 and 2024</b>
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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*GASB Statement No. 100, Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*

GASB 100 took effect for financial statements starting with the fiscal year that ends June 30, 2024. This statement had no significant effect of the SD1's financial statements.

*GASB Statement No. 101, Compensated Absences*

GASB 101 took effect for financial statements starting with the fiscal year that ends June 30, 2024; however, SD1 chose to early adopt these requirements, as is encouraged in the standard, beginning with the fiscal year ended June 30, 2023.

*Implementation Guide No. 2023-1, Implementation Guidance Update – 2023*

The requirements of this Implementation Guide took effect for financial statements starting with the fiscal year that ends June 30, 2024. This Guide had no significant effect of the SD1's financial statements.

*GASB Statement No. 102, Certain Risk Disclosures*

GASB 102 requires that other leases such as leased assets available for use, assets under Public-Private and Public-Public Partnerships and assets listed as Subscription-Based Information Technology Arrangements, be disclosed separately by major classes. This statement takes effect for financial statements starting with the fiscal year that ends June 30, 2025.

**Recently Issued Significant Accounting Standards**

*GASB Statement No. 103, Financial Reporting Model Improvements.*

This Statement continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI). The requirements of this Statement are effective for the fiscal year that ends June 30, 2026.

*GASB Statement No. 104, Disclosure of Certain Capital Assets*

This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital as-sets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. The requirements of this Statement are effective for the fiscal year that ends June 30, 2026.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2025 and 2024</b>
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## **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 recover 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, 2025 and 2024, 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, 2025 and 2024 of \$100,605,313 and \$97,604,100, respectively. The related securities totaling this amount are uninsured, unregistered, with securities held by the counterparty, or its trust department or agent but not in the entity's name.

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

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

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

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2025 and 2024</b>
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**NOTE 3 – RESTRICTED ASSETS**

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

The following schedule details the restricted assets as of June 30, 2025 and 2024:

	Years Ended June 30,	
	2025	2024
Pursuant to Trust Indenture		
Principal and Interest Accounts	\$ 18,863,297	\$ 18,447,743
Debt Service Reserve	26,970,166	26,803,180
Operation and Maintenance Fund	11,786,077	11,684,112
Improvement, Repair, and Replacement	20,768,945	19,786,756
Self Insurance Fund	<u>7,705,983</u>	<u>7,307,754</u>
Subtotal	86,094,468	84,029,545
Pursuant to Other Uses		
Agreed Order Settlement	<u>2,261,576</u>	<u>2,305,486</u>
Total Restricted Assets	<u>\$ 88,356,044</u>	<u>\$ 86,335,031</u>

**NOTE 4 – FAIR VALUE MEASUREMENT**

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

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

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

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

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2025 and 2024</b>
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**NOTE 4 – FAIR VALUE MEASUREMENT (Continued)**

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

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

The following table sets forth by level, within the fair value hierarchy, SD1’s assets at fair value at June 30, 2025:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and Cash Equivalents	\$ -	\$ 26,949,540	\$ -	\$ 26,949,540
Treasury Bonds	-	27,807,194	-	27,807,194
Agency Bonds	-	30,924,196	-	30,924,196
Intermediate US Gov. Funds	-	14,924,383	-	14,924,383
Total Investments at Fair Value	\$ -	\$ 100,605,313	\$ -	\$ 100,605,313

The following table sets forth by level, within the fair value hierarchy, SD1’s assets at fair value at June 30, 2024:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and Cash Equivalents	\$ -	\$ 25,410,014	\$ -	\$ 25,410,014
Treasury Bonds	-	29,894,457	-	29,894,457
Agency Bonds	-	28,240,361	-	28,240,361
Intermediate US Gov. Funds	-	14,059,267	-	14,059,267
Total Investments at Fair Value	\$ -	\$ 97,604,099	\$ -	\$ 97,604,099

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2025 and 2024</b>
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**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for SD1 for the year ended June 30, 2025, was as follows:

Sanitation Fund	Balance at June 30, 2024	Additions	Deletions/ Transfers	Balance at June 30, 2025
Capital Assets Not				
Being Depreciated				
Land	\$ 18,282,013	\$ 109,687	\$ (175,491)	\$ 18,216,209
Construction in progress	<u>63,692,615</u>	<u>53,700,802</u>	<u>(35,015,417)</u>	<u>82,378,000</u>
Total Capital Assets Not				
Being Depreciated	<u>81,974,628</u>	<u>53,810,489</u>	<u>(35,190,908)</u>	<u>100,594,209</u>
Depreciable Capital Assets				
Land improvements	6,505,272	80,626	-	6,585,898
Collection system	819,717,890	24,793,177	(2,604,543)	841,906,524
Pumping system	110,429,261	6,774,287	(1,895,586)	115,307,962
Treatment and disposal	279,869,117	4,252,459	(2,570,764)	281,550,812
Buildings and structures	30,074,955	647,038	(179,823)	30,542,170
Office furniture and equipment	9,886,132	375,516	(11,186)	10,250,462
Vehicles and accessories	8,168,661	366,266	(300,914)	8,234,013
Machinery and equipment	6,193,052	386,114	(85,219)	6,493,947
Subscription assets	<u>1,064,176</u>	<u>569,517</u>	<u>-</u>	<u>1,633,693</u>
Total Depreciable				
Capital Assets	<u>1,271,908,516</u>	<u>38,245,000</u>	<u>(7,648,035)</u>	<u>1,302,505,481</u>
Total Capital Assets at				
Historical Cost	<u>1,353,883,144</u>	<u>92,055,489</u>	<u>(42,838,943)</u>	<u>1,403,099,690</u>
Less Accumulated Depreciation				
Land improvements	(2,669,877)	(226,555)	-	(2,896,432)
Collection system	(280,959,840)	(16,752,358)	248,580	(297,463,618)
Pumping system	(71,350,877)	(3,145,697)	1,407,082	(73,089,492)
Treatment and disposal	(120,699,460)	(6,269,864)	839,214	(126,130,110)
Buildings and structures	(18,796,208)	(422,430)	137,221	(19,081,417)
Office furniture and equipment	(8,360,285)	(508,121)	11,186	(8,857,220)
Vehicles and accessories	(5,827,364)	(404,971)	300,914	(5,931,421)
Machinery and equipment	(5,039,179)	(238,995)	81,043	(5,197,131)
Subscription assets (amortization)	<u>(342,344)</u>	<u>(280,464)</u>	<u>-</u>	<u>(622,808)</u>
Total Accumulated				
Depreciation	<u>(514,045,434)</u>	<u>(28,249,455)</u>	<u>3,025,240</u>	<u>(539,269,649)</u>
Depreciable Capital				
Assets, Net	<u>757,863,082</u>	<u>9,995,545</u>	<u>(4,622,795)</u>	<u>763,235,832</u>
Sanitation Fund Capital				
Assets, Net	<u>\$ 839,837,710</u>	<u>\$ 63,806,034</u>	<u>\$ (39,813,703)</u>	<u>\$ 863,830,041</u>

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2025 and 2024</b>
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**NOTE 5 – CAPITAL ASSETS (Continued)**

Storm Water Fund	Balance at June 30, 2024	Additions	Deletions/ Transfers	Balance at June 30, 2025
Capital Assets Not				
Being Depreciated				
Land	\$ 2,133,292	\$ 103,500	\$ -	\$ 2,236,792
Construction in progress	4,235,150	5,302,952	(4,548,416)	4,989,686
Total Capital Assets Not				
Being Depreciated	<u>6,368,442</u>	<u>5,406,452</u>	<u>(4,548,416)</u>	<u>7,226,478</u>
Depreciable Capital Assets				
Vehicles and accessories	168,099	-	-	168,099
Machinery and equipment	154,109	7,380	-	161,489
Storm water collection system	424,494,064	9,467,804	(603,634)	433,358,234
Total Depreciable				
Capital Assets	<u>424,816,272</u>	<u>9,475,184</u>	<u>(603,634)</u>	<u>433,687,822</u>
Total Capital Assets at				
Historical Cost	<u>431,184,714</u>	<u>14,881,636</u>	<u>(5,152,050)</u>	<u>440,914,300</u>
Less Accumulated Depreciation				
Vehicles and accessories	(166,221)	(1,878)	-	(168,099)
Machinery and equipment	(132,479)	(7,267)	-	(139,746)
Storm water collection system	(186,002,566)	(13,985,560)	108,631	(199,879,495)
Total Accumulated				
Depreciation	<u>(186,301,266)</u>	<u>(13,994,705)</u>	<u>108,631</u>	<u>(200,187,340)</u>
Depreciable Capital				
Assets, Net	<u>238,515,006</u>	<u>(4,519,521)</u>	<u>(495,003)</u>	<u>233,500,482</u>
Storm Water Fund Capital				
Assets, Net	<u>\$ 244,883,448</u>	<u>\$ 886,931</u>	<u>\$ (5,043,419)</u>	<u>\$ 240,726,960</u>

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2025 and 2024</b>
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**NOTE 5 – CAPITAL ASSETS (Continued)**

Capital asset activity for SD1 for the year ended June 30, 2024, was as follows:

Sanitation Fund	Balance at June 30, 2023	Additions	Deletions/ Transfers	Balance at June 30, 2024
Capital Assets Not Being Depreciated				
Land	\$ 18,158,887	\$ 123,126	\$ -	\$ 18,282,013
Construction in progress	49,870,454	34,078,838	(20,256,677)	63,692,615
Total Capital Assets Not Being Depreciated	68,029,341	34,201,964	(20,256,677)	81,974,628
Depreciable Capital Assets				
Land improvements	6,505,272	-	-	6,505,272
Collection system	808,605,070	13,395,353	(2,282,533)	819,717,890
Pumping system	106,638,449	4,429,075	(638,263)	110,429,261
Treatment and disposal	278,454,472	2,955,877	(1,541,232)	279,869,117
Buildings and structures	30,070,194	4,761	-	30,074,955
Office furniture and equipment	9,516,643	369,489	-	9,886,132
Vehicles and accessories	8,457,462	1,236,176	(1,524,977)	8,168,661
Machinery and equipment	6,019,228	297,974	(124,150)	6,193,052
Subscription assets	-	1,064,176	-	1,064,176
Total Depreciable Capital Assets	1,254,266,790	23,752,881	(6,111,155)	1,271,908,516
Total Capital Assets at Historical Cost	1,322,296,131	57,954,845	(26,367,832)	1,353,883,144
Less Accumulated Depreciation				
Land improvements	(2,438,747)	(231,130)	-	(2,669,877)
Collection system	(265,770,432)	(16,485,432)	1,296,024	(280,959,840)
Pumping system	(68,714,463)	(3,234,159)	597,745	(71,350,877)
Treatment and disposal	(115,362,813)	(6,240,385)	903,738	(120,699,460)
Buildings and structures	(18,381,386)	(414,822)	-	(18,796,208)
Office furniture and equipment	(7,840,647)	(519,638)	-	(8,360,285)
Vehicles and accessories	(7,042,285)	(308,007)	1,522,928	(5,827,364)
Machinery and equipment	(4,864,425)	(258,348)	83,594	(5,039,179)
Subscription assets (amortization)	-	(342,344)	-	(342,344)
Total Accumulated Depreciation	(490,415,198)	(28,034,265)	4,404,029	(514,045,434)
Depreciable Capital Assets, Net	763,851,592	(4,281,384)	(1,707,126)	757,863,082
Sanitation Fund Capital Assets, Net	\$ 831,880,933	\$ 29,920,580	\$ (21,963,803)	\$ 839,837,710

The fiscal year 2024 capital assets schedule for sanitation has been reclassified to meet current year reporting standards.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2025 and 2024</b>
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**NOTE 5 – CAPITAL ASSETS (Continued)**

<u>Storm Water Fund</u>	<u>Balance at June 30, 2023</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance at June 30, 2024</u>
Capital Assets Not Being Depreciated				
Land	\$ 2,055,881	\$ 77,411	\$ -	\$ 2,133,292
Construction in progress	819,812	5,126,172	(1,710,834)	4,235,150
Total Capital Assets Not Being Depreciated	<u>2,875,693</u>	<u>5,203,583</u>	<u>(1,710,834)</u>	<u>6,368,442</u>
Depreciable Capital Assets				
Vehicles and accessories	169,295	-	(1,196)	168,099
Machinery and equipment	147,887	6,222	-	154,109
Storm water collection system	419,296,877	5,559,587	(362,400)	424,494,064
Total Depreciable Capital Assets	<u>419,614,059</u>	<u>5,565,809</u>	<u>(363,596)</u>	<u>424,816,272</u>
Total Capital Assets at Historical Cost	<u>422,489,752</u>	<u>10,769,392</u>	<u>(2,074,430)</u>	<u>431,184,714</u>
Less Accumulated Depreciation				
Vehicles and accessories	(163,682)	(3,735)	1,196	(166,221)
Machinery and equipment	(124,032)	(8,447)	-	(132,479)
Storm water collection system	(172,443,965)	(13,921,001)	362,400	(186,002,566)
Total Accumulated Depreciation	<u>(172,731,679)</u>	<u>(13,933,183)</u>	<u>363,596</u>	<u>(186,301,266)</u>
Depreciable Capital Assets, Net	<u>246,882,380</u>	<u>(8,367,374)</u>	<u>-</u>	<u>238,515,006</u>
Storm Water Fund Capital Assets, Net	<u>\$ 249,758,073</u>	<u>\$ (3,163,791)</u>	<u>\$ (1,710,834)</u>	<u>\$ 244,883,448</u>

**NOTE 6 – NOTES RECEIVABLE - ASSESSMENTS**

SD1 has, at the request of homeowners, extended sanitary sewer service into existing areas for which there was no previous service. SD1 paid the initial cost of this construction and assessed the homeowners to recover the cost of construction. Assessments outstanding was \$335,561 and \$379,621 as of June 30, 2025 and 2024, respectively.

**NOTE 7 – ARBITRAGE**

The Tax Reform Act of 1986 (Act) substantially revised the treatment to be afforded to earnings on the proceeds of tax-exempt debt and requires SD1 to calculate and remit rebatable arbitrage earnings to the Internal Revenue Service. Certain of SD1's debt and interest earned on the proceeds thereof are subject to the requirements of the Act. SD1 has accrued a liability for estimated rebatable arbitrage earnings and has set aside such earnings as restricted cash. At June 30, 2025 and 2024, the arbitrage rebate liability was \$30,762 and \$0, respectively.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2025 and 2024</b>
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**NOTE 7 – ARBITRAGE (Continued)**

Rebate calculations are prepared annually. However, any liability due is only required to be paid every 5 years from the original date of the bond. SD1 did not make any payments in fiscal year 2025 or 2024.

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

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2025 and 2024</b>
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**NOTE 8 – LONG-TERM DEBT (Continued)**

Narrows Road Diversion Loan A09-09

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

Dry Creek Head Works/Hydraulics Loan A10-11

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

Lakeview, Kentucky Aire, Church Street Loan A11-13

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

Lakeside Park, Vernon Lane Loan A11-14

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

Wolpert Force Main Loan A12-02

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

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

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

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2025 and 2024</b>
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**NOTE 8 – 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):

Year ending June 30,	Principal	Interest & Fees	Total
2026	\$ 7,223,229	\$ 1,114,667	\$ 8,337,896
2027	7,332,364	991,031	8,323,395
2028	7,443,327	865,347	8,308,674
2029	7,556,156	737,576	8,293,732
2030	7,670,879	607,682	8,278,561
2031-2035	25,087,798	1,255,577	26,343,375
2036-2039	3,269,235	146,776	3,416,011
Totals	<u>\$ 65,582,988</u>	<u>\$ 5,718,656</u>	<u>\$ 71,301,644</u>

**Bonds**

Refunding Revenue Bonds, Series 2016

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

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

Refunding Revenue Bonds, Series 2019

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

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

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

Refunding Revenue Bonds, Series 2020

In September 2020, bonds in the total amount of \$61,535,000 were issued under authority of applicable Kentucky Revised Statutes and in accordance with authorized bond resolutions duly passed and adopted by the Board of Directors of SD1.

The proceeds for the sale of the Series 2020 Bonds were used to defease \$26,610,000 of the 2010B Bonds, \$40,905,000 of the 2010D Bonds, and to pay the necessary costs and expenses incident to the issuance and delivery of the Series 2020 Bonds.

The reacquisition price exceeded the net carrying amount of the refunded debt by \$1,432,482. This amount is amortized over the remaining life of the new debt. The refunding reduces its total debt service

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2025 and 2024</b>
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**NOTE 8 – LONG-TERM DEBT (Continued)**

over 20 years by \$24,486,415 and obtains an economic gain (difference between the present values of the old and new debt service) of \$12,339,517.

Revenue Bonds, Series 2021A

In December 2021, bonds in the total amount of \$70,000,000 were issued under authority of applicable Kentucky Revised Statutes and in accordance with authorized bond resolutions duly passed and adopted by the Board of Directors of SD1.

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

Revenue Refunding Bonds, Series 2021B

In December 2021, bonds in the total amount of \$11,525,000 were issued under authority of applicable Kentucky Revised Statutes and in accordance with authorized bond resolutions duly passed and adopted by the Board of Directors of SD1.

The proceeds for the sale of the Series 2021B Bonds were used to refund KIA Note A04-09 balance (detailed in *Notes Payable – Direct Borrowings* above) of \$11,787,042.

The original amount of each outstanding issue, the issue date, interest rates and outstanding balances at June 30, 2025 and 2024 are summarized below:

Issue Date	Original Amount	Interest Rate	Balance at June 30,	
			2025	2024
Series 2016	\$ 124,990,000	3.00 - 5.00 %	\$ 85,660,000	\$ 90,665,000
Series 2019	99,490,000	2.25 - 5.00 %	77,105,000	80,620,000
Series 2020	61,535,000	2.00 - 5.00 %	52,590,000	56,320,000
Series 2021A	70,000,000	2.00 - 5.00 %	68,665,000	69,135,000
Series 2021B	11,525,000	5.00%	5,685,000	7,420,000
Plus: Unamortized Bond Premium			11,959,116	15,181,127
			<u>\$ 301,664,116</u>	<u>\$ 319,341,127</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, 2025 for debt service (principal and interest) are as follows:

Year ending June 30,	Principal	Interest	Total
2026	\$ 15,195,000	\$ 9,683,044	\$ 24,878,044
2027	15,975,000	8,903,794	24,878,794
2028	16,590,000	8,089,669	24,679,669
2029	17,020,000	7,249,419	24,269,419
2030	17,830,000	6,424,544	24,254,544
2031-2035	89,070,000	22,600,513	111,670,513
2036-2040	74,440,000	9,572,066	84,012,066
2041-2045	20,065,000	3,759,900	23,824,900
2046-2050	16,380,000	1,920,369	18,300,369
2051-2052	7,140,000	179,625	7,319,625
Totals	<u>\$ 289,705,000</u>	<u>\$ 78,382,943</u>	<u>\$ 368,087,943</u>

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2025 and 2024</b>
---

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

Changes in long-term liabilities for the year ended June 30, 2025 are as follows:

	Debt Outstanding June 30, 2024	Additions	Retirements	Debt Outstanding June 30, 2025	Amounts Due Within 1 Year
<b>Bond Indebtedness</b>					
Series 2016 REF	\$ 90,665,000	\$ -	\$ (5,005,000)	\$ 85,660,000	\$ 5,260,000
Series 2016 Bond Premium	4,579,559		(982,707)	3,596,852	843,990
Series 2019 REF	80,620,000	-	(3,515,000)	77,105,000	3,685,000
Series 2019 Bond Premium	4,850,044		971,512	3,878,532	848,585
Series 2020 REF	56,320,000	-	(3,730,000)	52,590,000	3,940,000
Series 2020 Bond Premium	3,779,984		(891,832)	2,888,152	717,923
Series 2021A Revenue	69,135,000	-	(470,000)	68,665,000	490,000
Series 2021A Bond Premium	1,309,224	-	(83,781)	1,225,443	82,635
Series 2021B REF	7,420,000	-	(1,735,000)	5,685,000	1,820,000
Series 2021B Bond Premium	662,316	-	(292,179)	370,137	216,746
<b>Total Bond Indebtedness</b>	<b>\$ 319,341,127</b>	<b>\$ -</b>	<b>\$ (15,733,987)</b>	<b>\$ 301,664,116</b>	<b>\$ 17,904,879</b>
<b>Notes Payable-Direct Borrowings</b>					
KIA Loan A08-04	\$ 32,949,349	\$ -	\$ (3,516,671)	\$ 29,432,678	\$ 3,551,926
KIA Loan A09-04	2,079,530	-	(259,668)	1,819,862	264,888
KIA Loan A09-05	2,017,686	-	(293,682)	1,724,004	299,585
KIA Loan A09-06	6,360,231	-	(651,758)	5,708,473	664,858
KIA Loan A09-07	2,240,317	-	(244,326)	1,995,991	249,237
KIA Loan A09-08	1,073,423	-	(109,998)	963,425	112,209
KIA Loan A09-09	4,029,874	-	(412,957)	3,616,917	421,257
KIA Loan A10-11	8,787,757	-	(802,188)	7,985,569	818,312
KIA Loan A11-13	8,242,169	-	(495,264)	7,746,905	505,218
KIA Loan A11-14	3,140,116	-	(181,448)	2,958,668	185,095
KIA Loan A12-02	403,744	-	(44,032)	359,712	44,917
KIA Loan A15-103	1,374,685	-	(103,901)	1,270,784	105,727
<b>Total Notes Payable</b>					
- Direct Borrowings	72,698,881	-	(7,115,893)	65,582,988	7,223,229
Subscription obligation	730,570	283,748	-	1,014,318	284,115
Compensated Absences, net	1,375,135	3,771	-	1,378,906	1,250,437
Net Pension Liability	30,352,138	-	(3,300,887)	27,051,251	-
Net OPEB Liability	653,076	130,135	-	783,211	-
<b>Total Long-Term Liabilities</b>	<b>\$ 425,150,927</b>	<b>\$ 417,654</b>	<b>\$ (26,150,767)</b>	<b>\$ 397,474,790</b>	<b>\$ 26,662,660</b>

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2025 and 2024</b>
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**NOTE 8 – LONG-TERM DEBT (Continued)**

Changes in long-term liabilities for the year ended June 30, 2024 are as follows:

	Debt Outstanding June 30, 2023	Additions	Retirements	Debt Outstanding June 30, 2024	Amounts Due Within 1 Year
<b>Bond Indebtedness</b>					
Series 2016 REF	\$ 95,425,000	\$ -	\$ (4,760,000)	\$ 90,665,000	\$ 5,005,000
Series 2016 Bond Premium	5,698,224		(1,118,665)	4,579,559	982,707
Series 2019 REF	85,690,000	-	(5,070,000)	80,620,000	3,515,000
Series 2019 Bond Premium	5,970,877		(1,120,833)	4,850,044	971,512
Series 2020 REF	58,145,000	-	(1,825,000)	56,320,000	3,730,000
Series 2020 Bond Premium	4,796,884		(1,016,900)	3,779,984	891,832
Series 2021A Revenue	69,580,000	-	(445,000)	69,135,000	470,000
Series 2021A Bond Premium	1,394,097	-	(84,873)	1,309,224	83,781
Series 2021B REF	9,070,000	-	(1,650,000)	7,420,000	1,735,000
Series 2021B Bond Premium	1,019,039	-	(356,723)	662,316	292,179
<b>Total Bond Indebtedness</b>	<b>\$ 336,789,121</b>	<b>\$ -</b>	<b>\$ (17,447,994)</b>	<b>\$ 319,341,127</b>	<b>\$ 17,677,011</b>
<b>Notes Payable-Direct Borrowings</b>					
KIA Loan A08-04	\$ 36,431,116	\$ -	\$ (3,481,767)	\$ 32,949,349	\$ 3,516,671
KIA Loan A09-04	2,334,082	-	(254,552)	2,079,530	259,668
KIA Loan A09-05	2,305,581	-	(287,895)	2,017,686	293,682
KIA Loan A09-06	6,999,146	-	(638,915)	6,360,231	651,758
KIA Loan A09-07	2,479,829	-	(239,512)	2,240,317	244,326
KIA Loan A09-08	1,181,254	-	(107,831)	1,073,423	109,998
KIA Loan A09-09	4,434,694	-	(404,820)	4,029,874	412,957
KIA Loan A10-11	9,574,139	-	(786,382)	8,787,757	802,188
KIA Loan A11-13	8,727,674	-	(485,505)	8,242,169	495,264
KIA Loan A11-14	3,317,988	-	(177,872)	3,140,116	181,448
KIA Loan A12-02	446,908	-	(43,164)	403,744	44,032
KIA Loan A15-103	1,476,791	-	(102,106)	1,374,685	103,901
<b>Total Notes Payable</b>					
- Direct Borrowings	79,709,202	-	(7,010,321)	72,698,881	7,115,893
Subscription obligation	241,402	489,168	-	730,570	167,958
Compensated Absences, net	1,310,199	64,936	-	1,375,135	1,136,579
Net Pension Liability	35,539,710	-	(5,187,572)	30,352,138	-
Net OPEB Liability	9,702,701	-	(9,049,625)	653,076	-
<b>Total Long-Term Liabilities</b>	<b>\$ 463,292,335</b>	<b>\$ 554,104</b>	<b>\$ (38,695,512)</b>	<b>\$ 425,150,927</b>	<b>\$ 26,097,441</b>

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2025 and 2024</b>
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**NOTE 9 – PENSION PLAN**

**General Information about the Pension Plan**

*Plan description:* County Employees Retirement System (CERS) consists of two plans, Non-hazardous and Hazardous. Each plan is a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Public Pension Authority under the provision of Kentucky Revised Statute 61.645. The plan covers all regular full-time members employed in non-hazardous and hazardous duty positions of each participating county, city, and any additional eligible local agencies electing to participate in CERS. SD1 participates in the non-hazardous plan. Membership in CERS included the following at June 30, 2023:

	Non-Hazardous	
	Pension	OPEB
Active Plan Members	78,810	78,418
Inactive Plan Members	111,086	27,097
Retired Members	70,932	38,679
	<u>260,828</u>	<u>144,194</u>
Number of participating employers		<u>1,141</u>

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

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

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

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

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

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

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

**SANITATION DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2025 and 2024**

**NOTE 9 – PENSION PLAN (Continued)**

<b>Benefit Formula for Tiers 1 &amp; 2</b>				
<b>Final Compensation</b>	<b>X</b>	<b>Benefit Factor</b>	<b>X</b>	<b>Years of Service</b>
Average of the five highest years of compensation if participation began before 09/01/2008.	2.20% if:	Member begins participating prior to 08/01/2004.		Includes earned service, purchased service, prior service, and sick leave service (if the member's employer participates in an approved sick leave program).
		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%)**

The chart below shows the interest calculated on the members' balances as of June 30, 2023 and 2022 and then credited to each member's account on June 30, 2024 and 2023.

<b>Benefit Formula for Tier 3</b>						
(A-B) = C X 75% = D, then B+D = Interest						
Measurement Year	A 5 Year Geometric Average Return	B Less Guarantee Rate	C Upside Sharing Interest	D Interest Rate Earned	Interest Rate Earned (4% + Upside)	Total Interest Credited to Members' Account
2023	7.67%	4.00%	3.67%	6.75%	2.75%	\$ 35,689,000
2022	6.24%	4.00%	2.24%	1.68%	5.68%	\$ 19,197,000

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

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

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2025 and 2024</b>
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**NOTE 9 – PENSION PLAN (Continued)**

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.

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

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

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

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

The employer contribution rates are set by the KRS Board under Kentucky Revised Statute 61.565 based on an annual actuarial valuation, unless altered by legislation enacted by the Kentucky General Assembly. For the fiscal year ended June 30, 2025, participating employers contributed 19.71% (19.71% pension fund and 0.00% insurance fund) of each employee's creditable compensation. For the fiscal year ended June 30, 2024, participating employers contributed 23.34% (23.34% pension fund and 0% insurance fund) of each employee's creditable compensation.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2025 and 2024</b>
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**NOTE 9 – PENSION PLAN (Continued)**

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 \$2,886,539 and \$3,350,232 for the years ended June 30, 2025 and 2024, respectively.

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

**Plan Information for June 30, 2025 Financial Statements**

At June 30, 2025, SD1 reported a liability of \$27,051,251 as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. SD1 's proportion of the net pension liability was based on a projection of the SD1's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At the June 30, 2024 measurement year, the SD1's non-hazardous employer allocation proportion was 0.4523% of the total CERS non-hazardous duty employees. For the year ended June 30, 2025, SD1 recognized a pension benefit of \$3,018,620 in addition to its \$2,886,539 pension contribution.

At June 30, 2025, SD1 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Non-Hazardous	
	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 1,309,330	\$ -
Net difference between projected actual earnings on plan investments	-	(1,739,249)
Changes of assump.	-	(1,222,185)
Changes in proportion, differences between contributions and proportionate share of contributions	-	(1,379,141)
Contributions subsequent to the measurement date	2,886,539	-
	\$ 4,195,869	\$ (4,340,575)

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2025 and 2024</b>
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**NOTE 9 – PENSION PLAN (Continued)**

SD1’s contributions subsequent to the measurement date of \$2,886,539 will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ending June 30,	Net Deferral
2025	\$ (2,103,806)
2026	128,757
2027	(668,588)
2028	(387,608)
2029	-
Thereafter	-
	<u>\$ (3,031,245)</u>

**Basis of Calculations**

The System Actuary, Gabriel, Roeder, Smith & Co. (GRS), completed reports by plan in compliance with GASB Statement No. 67 Financial Reporting for Pension Plans. The TPL, NPL, and sensitivity information are based on an actuarial valuation date of June 30, 2023. The TPL was rolled forward from the valuation date to the Plans’ fiscal year ended June 30, 2024, using generally accepted actuarial principles. Information disclosed for years prior to June 30, 2017, were prepared by the prior actuary. GRS will provide separate reports at a later date with additional accounting information determined in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions.

**Assumptions**

Below is a summary of the principal assumptions used for the June 30, 2023, actuarial valuation:

Inflation	2.50%
Payroll Growth Rate	2.0% for CERS Non-hazardous
Salary Increases	3.30% to 10.30%, varies by service for CERS Non-hazardous
Investment Rate of Return	6.50% for CERS Non-hazardous
Mortality	System specific mortality table based on experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.

**Changes of Assumptions**

There have been no assumption, method or plan provision changes that would materially impact the total pension liability since June 30, 2023. It is our opinion that these procedures for determining the information contained in these reports are reasonable, appropriate, and comply with applicable requirements under GASB No. 67.

**SANITATION DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2025 and 2024**

**NOTE 9 – PENSION PLAN (Continued)**

**Discount Rate**

A single discount rate of 6.50% for the nonhazardous and hazardous plans was used to measure the total pension liability for the fiscal year ended June 30, 2024. This single discount rate was based on the expected rate of return on pension plan investments for each plan. Based on the stated assumptions and the projection of cash flows as of each fiscal year ended, 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 members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for each plan. The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. Future contributions are projected assuming that the entire actuarially determined employer contribution is received by each plan each future year, calculated in accordance with the current funding policy. The provisions of House Bill 362 (passed during the 2018 legislative session) are still in effect and limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028. However, contribution rates are not currently projected to increase by more than 12% in any given future year. Therefore, for the purposes of this calculation, the provisions of House Bill 362 do not impact the projected employer contributions

**Actuarial Methods and Assumptions used to determine the Actuarial Determined Contributions for Fiscal Year 2025**

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2025:

Actuarial Valuation Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	20% of the difference between the smoothed fair value of assets and the expected actuarial value of assets is recognized
Amortization Method	Level Percent of Pay
Amortization Period	30 years closed period at June 30, 2019; gains and losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.0%
Investment Rate of Return	6.25%
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service for Non-Hazardous
Mortality	System specific mortality table based on experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2025 and 2024</b>
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**NOTE 9 – PENSION PLAN (Continued)**

**Plan Target Allocation**

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

Asset Class	CERS Pensions Non-Hazardous Target Allocation	Long Term Expected Nominal Return
Public equity	50.00%	4.15%
Private equity	10.00%	9.10%
Core bonds	10.00%	2.85%
Specialty credit / high yield	10.00%	3.82%
Cash	0.00%	1.70%
Real estate	7.00%	4.90%
Real return	13.00%	5.35%
Expected Real Return	100.00%	4.69%
Long-Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		7.19%

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

The following presents SD1’s proportionate share of the net pension liability calculated using the discount rate of 6.50%, as well as what the SD1’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	Proportionate Share of Net Pension Liability		
	1% Decrease 5.50%	Current Rate 6.50%	1% Increase 7.50%
	Non-hazardous	\$ 34,873,482	\$ 27,051,251
Total	\$ 34,873,482	\$ 27,051,251	\$ 20,560,860

**Plan Information for June 30, 2024 Financial Statements**

At June 30, 2024, SD1 reported a liability of \$30,352,138 as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. SD1 's proportion of the net pension liability was based on a projection of the SD1's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At the June 30, 2023 measurement year, the SD1's non-hazardous employer allocation proportion was 0.4730% of the total CERS non-hazardous duty employees. For the year ended June 30, 2024, SD1 recognized a pension benefit of \$2,790,081 in addition to its \$3,350,232 pension contribution.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2025 and 2024</b>
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**NOTE 9 – PENSION PLAN (Continued)**

At June 30, 2024, SD1 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Non-Hazardous</u>	
	<u>Deferred Outflow</u>	<u>Deferred Inflow</u>
Differences between expected and actual experience	\$ 1,571,272	\$ (82,475)
Net difference between projected actual earnings on plan investments	-	(414,019)
Changes of assumptions	-	(2,781,794)
Changes in proportion and differences between contributions and proportionate share of contributions	-	(1,505,655)
Contributions subsequent to the measurement date	<u>3,350,232</u>	<u>-</u>
	<u>\$ 4,921,504</u>	<u>\$ (4,783,943)</u>

The SD1's contributions subsequent to the measurement date of \$3,350,232 will be recognized as a reduction of the net pension liability in the year ending June 30, 2025.

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>Measurement Year Ending June 30,</u>	<u>Net Deferral</u>
2024	\$ (2,039,273)
2025	(1,557,144)
2026	677,583
2027	(293,837)
2028	-
Thereafter	-
	<u>\$ (3,212,671)</u>

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

For financial reporting, the actuarial valuation as of June 30, 2023, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2023, were based on an actuarial valuation date of June 30, 2022. The total pension liability was rolled forward from the valuation date (June 30, 2022) to the plan's fiscal year ending June 30, 2023, using generally accepted actuarial principles.

**SANITATION DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2025 and 2024**

**NOTE 9 – PENSION PLAN (Continued)**

**Changes of Assumptions**

The CERS Board of Trustees adopted new actuarial assumptions on May 9, 2023 and include a change in the investment return assumption from 6.25% to 6.50%. These assumptions are documented in the report titled "2022 Actuarial Experience Study for the Period Ending June 30, 2022." The Total Pension Liability as of June 30, 2023, is determined using these updated assumptions.

House Bill 506 passed during the 2023 legislative session and reinstated the Partial Lump Sum Option form of payment for members who retire on and after January 1, 2024, with the lump-sum options expanded to include 48 or 60 times the member's monthly retirement allowance. Since this optional form of payment results in a reduced, actuarial equivalent, monthly retirement allowance for members who elect a partial lump-sum option, this provision does not have a fiscal impact to the total pension liability.

House Bill 506 also adjusted the minimum required separation period before a retiree may become reemployed and continue to receive their retirement allowance to one month under all circumstances. This is a minimal change for members in the hazardous plans, as the minimum separation period was already one month for members who became reemployed on a full-time basis in a hazardous position. The requirement was previously three months only for members who became reemployed on a part-time basis or in any nonhazardous position. GRS believes this provision of House Bill 506 will have an insignificant impact on the retirement pattern of hazardous members and therefore reflected no fiscal impact to the total pension liability of the hazardous plan.

Similarly, this is a relatively small change for future retirees in the non-hazardous plans. But as the minimum separation period was three months in almost every circumstance, GRS assumed that there would be a one percent (1%) increase in the rate of retirement for each of the first two years a non-hazardous member becomes retirement eligible under the age of 65 in order to reflect a shift in the retirement pattern. The total pension liability as of June 30, 2023, for the non-hazardous plans is determined using these updated benefits provisions.

There have been no other plan provision changes that would materially impact the total pension liability since June 30, 2022. It is GRS's opinion that these procedures for determining the information contained in this report are reasonable, appropriate, and comply with applicable requirements under *GASB No. 68*.

The actuarial assumptions are:

Inflation	2.50%
Payroll Growth Rate	2.0% for CERS Non-hazardous
Salary Increases	3.30% to 10.30%, varies by service for CERS Non-hazardous
Investment Rate of Return	6.50% for CERS Non-hazardous

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.

**SANITATION DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2025 and 2024**

**NOTE 9 – PENSION PLAN (Continued)**

The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

**Discount Rate**

The projection of cash flows used to determine the discount rate of 6.50% for CERS non-hazardous system assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute, as amended by House Bill 362, (passed in 2018) over the remaining 28 years (closed) amortization period of the unfunded actuarial accrued liability.

**Actuarial Methods and Assumptions used to determine the Actuarial Determined Contributions for Fiscal Year 2023**

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2023:

Valuation Date	June 30, 2021
Experience Study	July 1, 2018 to June 30, 2022
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 years closed period at June 30, 2019; gains and losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.0%
Asset Valuation Method	20% of the difference between the smoothed fair value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service for Non-Hazardous
Investment Rate of Return	6.25%
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2025 and 2024</b>
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**NOTE 9 – PENSION PLAN (Continued)**

**Plan Target Allocation**

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

Asset Class	CERS Pensions Non-Hazardous Target Allocation	Long Term Expected Nominal Return
Public equity	50.00%	5.90%
Private equity	10.00%	11.73%
Core bonds	10.00%	2.45%
Specialty credit / high yield	10.00%	3.65%
Cash	0.00%	1.39%
Real estate	7.00%	4.99%
Real return	13.00%	5.15%
Expected Real Return	100.00%	5.75%
Long-Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		8.25%

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

The following presents the SD1’s proportionate share of the net pension liability calculated using the discount rate of 6.50%, as well as what the SD1’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	Proportionate Share of Net Pension Liability		
	1% Decrease 5.50%	Current Rate 6.50%	1% Increase 7.50%
	Non-hazardous	\$ 38,321,408	\$ 30,352,138
Total	\$ 38,321,408	\$ 30,352,138	\$ 23,729,375

**Plan Fiduciary Net Position**

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

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2025 and 2024</b>
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**NOTE 10 – OTHER POST EMPLOYMENT BENEFITS (OPEB) PLAN**

**General Information about the OPEB Plan**

*Plan description:* County Employees Retirement System consists of two plans, Non-Hazardous and Hazardous. Each plan is a cost-sharing multiple-employer defined benefit OPEB plan administered by the Kentucky Public Pension Authority 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.

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.

This benefit is not protected under the inviolable contract provisions of KRS 61.692. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

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

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

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

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2025 and 2024</b>
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**NOTE 10 – OPEB PLAN (Continued)**

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

Plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. These members were classified in the Tier 3 structure of benefits. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account.

Members contribute 5.00% non-hazardous of their annual creditable compensation and 1.00% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with 4.00% non-hazardous employer pay credit. The employer pay credit represents a portion of the employer contribution.

The employer contribution rates are set by the KRS Board under Kentucky Revised Statute 61.565 based on an annual actuarial valuation, unless altered by legislation enacted by the Kentucky General Assembly. For the fiscal year ended June 30, 2024, participating employers contributed 23.34% (23.34% pension fund and 0.00% insurance fund) of each employee's creditable compensation. For the fiscal year ended June 30, 2023, participating employers contributed 26.79% (23.40% pension fund and 3.39% insurance fund) of each employee's creditable compensation. 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 \$0 and \$468,101 for the years ended June 30, 2024 and 2023, respectively.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB****Plan Information for June 30, 2025 Financial Statements**

At June 30, 2025, the SD1 reported an OPEB asset of \$783,211 as its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2024, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of that date. The SD1's proportion of the net OPEB asset was based on a projection of the SD1's long-term share of contributions to the OPEB plan relative to the projected contributions of all governmental entities, actuarially determined. At the June 30, 2024 measurement year, the SD1's proportion of the total non-hazardous plan was 0.4528%.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2025 and 2024</b>
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**NOTE 10 – OPEB PLAN (Continued)**

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

	Non-Hazardous	
	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 434,516	\$ (6,162,327)
Net difference between projected actual earnings on plan investments	-	(714,725)
Changes of assump.	709,684	(552,638)
Changes in proportion, differences between contributions and proportionate share of contributions	-	(816,281)
Contributions subsequent to the measurement date	-	-
	<u>\$ 1,144,200</u>	<u>\$ (8,245,971)</u>

SD1’s contributions subsequent to the measurement date of \$0 for non-hazardous duty employees will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Measurement Year Ending June 30,	Net Deferral
2025	\$ (2,870,912)
2026	(2,231,916)
2027	(1,879,020)
2028	(119,923)
2029	-
Thereafter	-
	<u>\$ (7,101,771)</u>

**Basis of Calculations**

The total OPEB liability, net OPEB liability (NOL), and sensitivity information are based on an actuarial valuation date of June 30, 2023. The total OPEB liability was rolled forward from the valuation date to the plan’s fiscal year ended June 30, 2024, using generally accepted actuarial principles

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2025 and 2024</b>
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**NOTE 10 – OPEB PLAN (Continued)**

**Assumptions**

Below is a summary of the principal assumptions used for the June 30, 2023 actuarial valuation:

Investment Rate of Return	6.50% for CERS Non-hazardous
Inflation	2.50%
Salary Increases	3.30% to 10.30%, varies by service for CERS Non-hazardous
Payroll Growth Rate	2.0% for CERS Non-hazardous
Mortality	System specific mortality table based on experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.
Health Care Trend Rates	
Pre-65	Initial trend starting at 6.80% at January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2024 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post-65	Initial trend starting at 8.50% in 2025, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years. The 2024 premiums were known at the time of the valuation and were incorporated into the liability measurement.

**Change in Assumptions - Plan**

There have been no other plan provision changes that would materially impact the total OPEB liability (asset) since June 30, 2023. It is GRS's opinion that these procedures are reasonable and appropriate and comply with applicable requirements under GASB Statement No. 75.

**Discount Rate**

The discount rate used to calculate the total OPEB liability increased from 5.93% to 5.99% for the nonhazardous plan. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2023, valuation process and was updated to better reflect the plan's anticipated long-term healthcare cost increases. In general, the updated assumption is assuming higher future increases in pre-Medicare healthcare costs.

Single discount rates of 5.99% for the nonhazardous plan and 6.02% for the hazardous plan were used to measure the total OPEB liability for the fiscal year ended June 30, 2024. They are based on the expected rate of return on OPEB plan investments of 6.50% and a municipal bond rate of 3.97%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2024. Based on the stated assumptions and the projection of cash flows as of each fiscal year ended, the plan's 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 periods of the projected benefit payments paid from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the plan's actuarial determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the plan's trust.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2025 and 2024</b>
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**NOTE 10 – OPEB PLAN (Continued)**

Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. Future contributions are projected assuming that the entire actuarially determined employer contribution is received by each plan each future year, calculated in accordance with the current funding policy.

**Actuarial Methods and Assumptions used to determine the Actuarial Determined Contribution for Fiscal Year 2025**

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for the fiscal year ending June 30, 2025:

Valuation Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	20% of the difference between the smoothed fair value of assets and the expected actuarial value of assets is recognized
Amortization Method	Level Percent of Pay
Amortization Period	30 years closed period at June 30, 2019; gains and losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.0%
Investment Rate of Return	6.25%
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service for Non-hazardous
Mortality	System-specific mortality table based on mortality experience 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Healthcare Trend Rates	
Pre - 65	Initial trend starting at 6.20% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2023 premiums were known at the time of the valuation and were included into the liability measurement.
Post - 65	Initial trend starting at 9.00% at January 1, 2024, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2023 premiums were known at the time of the valuation and were included into the liability measurement.

**Changes of Assumptions - Contributions**

The discount rates used to calculate the total OPEB liability (asset) increased from 5.93% to 5.99%. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2024 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. There were no other material assumption changes.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2025 and 2024</b>
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**NOTE 10 – OPEB PLAN (Continued)**

**Plan Target Allocation**

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

Asset Class	CERS Pensions	
	Non-Hazardous Target Allocation	Long Term Expected Nominal Return
Public equity	50.00%	4.15%
Private equity	10.00%	9.10%
Core bonds	10.00%	2.85%
Specialty credit /high yield	10.00%	3.82%
Cash	0.00%	1.70%
Real estate	7.00%	4.90%
Real return	13.00%	5.35%
Expected Real Return	<u>100.00%</u>	4.69%
Long-Term Inflation Assumption		<u>2.50%</u>
Expected Nominal Return for Portfolio		<u>7.19%</u>

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

The following presents the proportionate share of the net OPEB liability calculated using the discount rates of 5.99% for the Non-hazardous plan and the 6.02% for the hazardous plan, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Discount Rate, Non-Hazardous	4.99%	5.99%	6.99%
Net OPEB liability, Non-Haz	\$ 1,058,989	\$ (783,211)	\$ (2,332,136)
Total	<u>\$ 1,058,989</u>	<u>\$ (783,211)</u>	<u>\$ (2,332,136)</u>

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

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

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Healthcare cost trend rate			
Net OPEB liability, Non-hazardous	\$ (1,884,311)	\$ (783,211)	\$ 499,492
Total	<u>\$ (1,884,311)</u>	<u>\$ (783,211)</u>	<u>\$ 499,492</u>

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2025 and 2024</b>
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**NOTE 10 – OPEB PLAN (Continued)**

**Plan Information for June 30, 2024 Financial Statements**

At June 30, 2024, the SD1 reported an OPEB asset of \$653,076 as its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2023, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of that date. The SD1's proportion of the net OPEB asset was based on a projection of the SD1's long-term share of contributions to the OPEB plan relative to the projected contributions of all governmental entities, actuarially determined. At the June 30, 2023 measurement year, the SD1's proportion of the total non-hazardous plan was 0.4730%.

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

	Non-Hazardous	
	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 455,293	\$ (9,273,029)
Net difference between projected actual earnings on plan investments	-	(151,567)
Changes of assumptions	1,285,208	(895,661)
Changes in proportion and differences between contributions and proportionate share of contributions	22,347	(807,851)
Contributions subsequent to the measurement date	-	-
	\$ 1,762,848	\$ (11,128,108)

SD1's contributions subsequent to the measurement date of \$0 for non-hazardous duty employees will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2025.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2025 and 2024</b>
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**NOTE 10 – OPEB PLAN (Continued)**

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

Measurement Year Ending June 30,	Net Deferral
2024	\$ (2,389,665)
2025	(2,889,537)
2026	(2,224,824)
2027	(1,861,232)
Thereafter	-
	<u>\$ (9,365,258)</u>

**Actuarial Methods and Assumptions to Determine the Net OPEB Liability (Asset)**

For financial reporting, the actuarial valuation as of June 30, 2023, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability (asset), net OPEB liability (asset), and sensitivity information as of June 30, 2023, were based on an actuarial valuation date of June 30, 2022. The total OPEB liability (asset) was rolled-forward from the valuation date (June 30, 2022) to the plan's fiscal year ending June 30, 2023, using the generally accepted actuarial principles.

The following actuarial assumptions were used in performing the actuarial valuation as of June 30, 2023:

Inflation	2.50%
Payroll Growth Rate	2.0% for CERS Non-hazardous
Salary Increase	3.30% to 10.30%, varies by service for CERS Non-hazardous
Investment Rate of Return	6.50%
Health Care Trend Rates	
Pre-65	Initial trend starting at 6.80% at January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 8.50% in 2025, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Non-hazardous Systems, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.
Post-retirement (nondisabled)	System-specific mortality table based on mortality experience from 2013-2022 projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year 2010.

**SANITATION DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2025 and 2024**

**NOTE 10 – OPEB PLAN (Continued)**

The CERS Board of Trustees adopted new actuarial assumptions on May 9, 2023. These assumptions are documented in the report titled "2022 Actuarial Experiences Study for the Period Ending June 30, 2022". Additionally, the single discount rates used to calculate the total OPEB liability (asset) within each plan changed since the prior year. Additional information regarding the single discount rates is provided below. The Total OPEB Liability (asset) as of June 30, 2023, is determined using these updated assumptions.

House Bill 506 passed during the 2023 legislative session reinstated the Partial Lump Sum Option form of payment for members who retire on and after January 1, 2024 and adjusted the minimum required separation period before a retiree may become reemployed and continue to receive their retirement allowance to one month for all circumstances.

This is a minimal change for members in the hazardous plans, as the minimum separation period was already one month for members who became reemployed on a full-time basis in a hazardous position. The requirement was previously three months only for members who became reemployed on a part-time basis in any nonhazardous position. GRS believes this provision of House Bill 506 will have an insignificant impact on the retirement pattern of hazardous members and therefore have reflected no fiscal impact to the total OPEB liability (asset) of the hazardous plan.

Similarly, this is a relatively small change for future retirees in the non-hazardous plan. But as the minimum separation period was previously three months in almost every circumstance, GRS assumed that there would be a one percent (1%) increase in the rate of retirement for each of the first two years a non-hazardous member becomes retirement eligible under the age of 65, in order to reflect a shift in the retirement pattern. The total OPEB liability (asset) as of June 30, 2023, for the non-hazardous plan is determined using these updated benefit provisions.

There have been no other plan provision changes that would materially impact the total OPEB liability (asset) since June 30, 2022. It is GRS's opinion that these procedures are reasonable and appropriate and comply with applicable requirements under GASB Statement No. 75.

**Actuarial Methods and Assumptions used to determine the Actuarial Determined Contribution for Fiscal Year 2023**

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for the fiscal year ending June 30, 2023:

Valuation Date	June 30, 2021
Experience Study	July 1, 2018 to June 30, 2022
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 years closed period at June 30, 2019; gains and losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.0%

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2025 and 2024</b>
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**NOTE 10 – OPEB PLAN (Continued)**

Asset Valuation Method	20% of the difference between the smoothed fair value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service for Non-hazardous
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre - 65	Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were included into the liability measurement.
Post - 65	Initial trend starting at 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were included into the liability measurement.
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Non-hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010
Post-retirement (non- disabled)	System-specific mortality table based on mortality experience 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

The single discount rates used to calculate the total OPEB liability (asset) within each plan changed since the prior year. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2021, valuation process and was updated to better reflect the plan's anticipated long-term healthcare costs. There were no other material assumption changes.

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

The total OPEB liability (asset) as of June 30, 2023, is determined using these updated benefit provisions. There were no other material plan provision changes.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2025 and 2024</b>
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**NOTE 10 – OPEB PLAN (Continued)**

**Changes of Assumptions**

The discount rates used to calculate the total OPEB liability (asset) increased from 5.70% to 5.93%. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2023 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. There were no other material assumption changes.

**Discount Rate**

Single discount rates of 5.93% for CERS non-hazardous were used to measure the total OPEB liability (asset) as of June 30, 2023. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.50%, and a municipal bond rate of 3.86%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2023. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan’s fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plans actuarially determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plan trusts.

Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The projection of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. Future contributions are projected assuming that each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy.

**Plan Target Allocation**

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

Asset Class	CERS Pensions Non-Hazardous Target Allocation	Long Term Expected Nominal Return
Public equity	50.00%	5.90%
Private equity	10.00%	11.73%
Core bonds	10.00%	2.45%
Specialty credit /high yield	10.00%	3.65%
Cash	0.00%	1.39%
Real estate	7.00%	4.99%
Real return	13.00%	5.15%
Expected Real Return	100.00%	5.75%
Long-Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		8.25%

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2025 and 2024</b>
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**NOTE 10 – OPEB PLAN (Continued)**

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

The following presents the proportionate share of the net OPEB liability (asset) calculated using the discount rates of 5.93% for the Non-hazardous plan, and what the proportionate share of the net OPEB liability (asset) would be if calculated using a discount rate 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Proportionate Share of Net OPEB Liability (Asset)		
	1.00% Decrease	Current Rate	1.00% Increase
Discount Rate, Non-Hazardous	4.93%	5.93%	6.93%
Net OPEB liability, Non-Haz	\$ 1,225,574	\$ (653,076)	\$ (2,226,216)
Total	\$ 1,225,574	\$ (653,076)	\$ (2,226,216)

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

The following presents the proportionate share of the net OPEB liability (asset), and what the proportionate share of the net OPEB liability (asset) would be if calculated using healthcare cost trend rates 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Proportionate Share of Net OPEB Liability (Asset)		
	1.00% Decrease	Current Rate	1.00% Increase
Healthcare cost trend rate			
Net OPEB liability, Non-hazardous	\$ (2,093,223)	\$ (653,076)	\$ 1,116,009
Total	\$ (2,093,223)	\$ (653,076)	\$ 1,116,009

**Plan Fiduciary Net Position**

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

**NOTE 11 – LESSOR AGREEMENT**

SD1 entered into a lease agreement with the Kenton County Board of Education to lease 15,000 square feet of its building on July 1, 2022 through June 30, 2027. The cost of the portion of the building being leased is \$2,300,902. At June 30, 2025 the total accumulated depreciation associated with this asset was \$1,533,902 for a net asset value of \$767,000. At June 30, 2024, the total accumulated depreciation associated with this asset was \$1,507,902 for a net asset value of \$793,000. SD1 was notified that the lessor plans to terminate the lease, as allowed by the lease agreement, by January 2026. The future rentals under this agreement are as follows:

Year Ending June 30,	Minimum Rental Due
2026	\$ 117,087
Total	\$ 117,087

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2025 and 2024</b>
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**NOTE 12 - SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA)**

SD1 has entered into several subscription-based information technology arrangements (SBITAs) to support its accounting, billing, and asset management operations. These agreements provide SD1 with the right to use specified cloud-based software applications over a defined subscription term in exchange for periodic payments.

***Subscription Assets and Liabilities***

At June 30, 2025, SD1 reported subscription assets of \$1,633,693 related to its SBITAs. Accumulated amortization totaled \$622,808, resulting in a net subscription asset of \$1,010,885. Amortization expense of \$280,464 was recognized during the fiscal year. The District also reported subscription liabilities of \$1,014,318 at year-end, representing the present value of remaining subscription payments.

At June 30, 2024, SD1 reported subscription assets of \$1,064,176 related to its SBITAs. Accumulated amortization totaled \$342,344, resulting in a net subscription asset of \$721,832. Amortization expense of \$342,344 was recognized during the fiscal year. The District also reported subscription liabilities of \$730,569 at year-end, representing the present value of remaining subscription payments.

***Amortization and Interest Expense***

Subscription assets are amortized on a straight-line basis over the subscription term. SD1 recognized \$5,305 of interest accretion on SBITA liabilities during the fiscal year ended June 30, 2025 and \$683 of interest expense on SBITA liabilities during the fiscal year ended June 30, 2024.

**Future Subscription Payments**

Future minimum subscription payments under all SBITAs as of December 31, 2025, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 284,115	\$ 20,081	\$ 304,196
2027	225,444	13,046	238,490
2028	176,550	6,862	183,412
2029	169,833	2,284	172,117
2030	81,906	94	82,000
2031	76,470	30	76,500
	<u>\$ 1,014,318</u>	<u>\$ 42,397</u>	<u>\$ 1,056,715</u>

The District used an incremental borrowing rate between 5.25% and 8.50% to discount future subscription payments.

**Short-Term SBITAs**

SBITAs with a subscription term of twelve months or less, including renewal options not reasonably certain to be exercised, are excluded from the amounts reported above. Payments for such short-term arrangements totaled \$665,000 during the year ended June 30, 2025.

The District's subscription arrangements do not include variable payment provisions, residual value guarantees, or options to purchase the underlying software. No impairment losses were recognized related to SBITA assets during the year.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2025 and 2024</b>
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**NOTE 13 – OPERATING LEASES**

SD1 is obligated under certain non-cancelable leases for equipment and towers. SD1 considers these leases as clearly immaterial and not subject to the leasing standards set by GASB 87. The leases expire at various dates through June 2029. Lease expense for the years ended June 30, 2025 and 2024 were \$39,507 and \$39,336, respectively.

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

<u>Year Ending June 30,</u>	<u>Minimum Rental</u>
2026	\$ 5,449
2027	4,217
2028	4,217
2029	3,514
	<u>\$ 17,397</u>

**NOTE 14 – REIMBURSEMENT COMMITMENTS**

SD1 has entered into inter-local agreements, whereby cities can apply for reimbursement of qualified expenses incurred to accomplish required storm water improvements. There were 16 agreements totaling \$1,114,486 for the year ended June 30, 2024 and 17 agreements totaling \$1,205,498 for the year ended June 30, 2024.

**NOTE 15 – 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 16 – 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 \$139,781 and \$174,989 has been recorded in the accompanying financial statements which is management’s estimate of the unspent balances as of June 30, 2025 and 2024, respectively, that are likely to be paid in future periods.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2025 and 2024</b>
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## **NOTE 17 – LITIGATION**

**Consent Decree** – In October 2005, SD1 announced that it had reached a comprehensive settlement with the Kentucky Environmental and Public Protection Cabinet and the U.S. Environmental Protection Agency (EPA) to address sewer overflows and improve water quality in Northern Kentucky. The settlement is contained in a Consent Decree, which was logged with the U.S. District Court for the Eastern District of Kentucky on October 7, 2005.

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. It is estimated that full implementation of the Decree will cost approximately \$1.3 billion over 20 years. The Consent Decree was entered by the Court in April 2007 and is final and binding upon all parties.

*Status:* On May 22, 2019, the Court entered an Order approving the Amended Consent Decree. Pursuant to the requirement of the Amended Consent Decree, SD1 submitted its updated watershed plan on May 1, 2020. SD1 received written response, comments and questions from the EPA and KDEP on March 15, 2021, and thereafter worked with them to address any and all concerns. On April 15, 2021, SD1 re-submitted its revised updated watershed plan to the EPA and KDEP and is awaiting approval or comment. On August 9, 2021, the EPA and KDEP emailed SD1 more comments to the updated watershed plan. Based upon those comments, SD1 again revised its plan and re-submitted its revised plan on December 3, 2021. On June 15, 2022, the EPA approved SD1's Updated Watershed Plan. SD1 staff are having quarterly meetings with the EPA and KDEP to discuss SD1's progress on the Updated Watershed Plan.

**Coppage** – On June 21, 2007, SD1 entered into a contract with DCI to purchase a relocated and upsized sewer line in the Manhattan Harbor/River's Edge project. In turn, DCI entered into a Construction Agreement with Coppage Construction to serve as contractor for the project, with the scope of the work including installation of an upsized sewer pipe and other work for the development. SD1 was not a party to that Agreement. Sometime later, a dispute arose between DCI and Coppage relating to delays and costs on the project, with DCI filing suit claiming that Coppage overcharged for services and materials and Coppage claiming that DCI breached the contract. DCI ultimately entered into a new agreement with Nelson Stark to complete the project. After 18-plus months of litigation, Coppage filed a Third-Party Complaint against SD1 asserting a claim for breach of contract, claiming it was a third-party beneficiary to the DCI-SD1 contract. Coppage also asserted tort claims against SD1.

*Status:* SD1 filed a Motion to Alter, Amend or Vacate the Judgment that the Court entered in favor of Coppage. The Motion has been fully briefed and taken under submission for a decision by Judge Molloy. She also set Coppage's remaining claims for trial on April 14, 2026. SD1 will aggressively defend the claim at trial. There is no known range of loss at this juncture, but Coppage seeks in excess of \$6,000,000 in compensatory damages and attorney fees. SD1 is insured for this particular claim under a policy issued by KLCIS, subject to terms, conditions, exclusions, and limitations of the policy.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2025 and 2024</b>
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**NOTE 17 – LITIGATION (Continued)**

**Schrage** – Schrage filed a putative class action against SD1 and NKWD challenging the imposition and collection of sales tax upon non-owner occupied one to four unit residential properties. Schrage alleged that non-owner-occupied properties which contained one to four units were entitled to have their properties treated as “residential” and subject to the sale tax exemption in KRS 139.470(8)(a). Schrage sought a refund on behalf of all putative class members for the four-year period from July 1, 2006, to July 1, 2010, and for any subsequent imposition and collection of the tax.

*Status:* No new developments. Plaintiffs continue to litigate the sales tax refund amount that they claim is owed with the Kentucky Department of Revenue.

**Evans** – This is a consolidated landslide case arising from property damage to Building 30 at the Woodland Hills Condominium Complex in Southgate, KY on May 9, 2024. While Bray Construction was digging a trench and installing a new sewer pipe, Building 30 sustained significant structural damage. Two separate groups of Plaintiffs, consisting of tenants/owners of Building 30, filed suit against SD1, Bray Construction, Palmer Engineering, and UES asserting various tort claims and a claim for breach of contract. The Woodland Hills Condominium Association (HOA) filed a separate suit, now consolidated with the other two cases, asserting similar tort and breach of contract claims against SD1 and the other Defendants. In addition, on group of Plaintiffs have asserted a class action claim on behalf of all condo owners in the Woodland Hills complex claiming that they have suffered “stigma damage” because of the landslide and destruction of the structural integrity of Building 30. The HOA retained Civil Solutions to install a retaining wall below Building 30 to stop the earth movement at a cost of \$1M. Based on opinions rendered by SD1’s structural engineer in July of 2024, the HOA recommended that residents of Building 30 temporarily relocate for their own safety and protection. Several residents moved, but others still reside in Building 30.

*Status:* Judge Ward granted Plaintiffs’ Motion for Temporary Injunction and ordered SD1 and Bray to pay relocation expenses for 8 Plaintiffs. SD1 appealed that Order to the Kentucky Court of Appeals. The appeal has been fully briefed and has been taken un submission. In addition, multiple discovery depositions have been taken of representatives of SD1, Bray Construction, Palmer Engineering, Cardinal Engineering, and the Woodland Hills HOA. A mediation has been scheduled for November 3, 2025.

**Neises** – SD1 is party to a suit that involves two wrongful deaths and one claim of personal injury. Third-party construction contractors Mason Neises and Joshua Mason were killed, and Jason Holleran was injured in an accident at the Bromley Pump station on December 4, 2023. This suit was filed on September 11, 2024; therefore, no discovery has been undertaken. SD1 will aggressively defend the suit and deems liability questionable since no SD1 employees were involved in the actual of the project that was underway when the accident occurred. There is no estimate of a potential loss to SD1, but wrongful death damages for two relatively young men may exceed \$1,000,000. SD1 is insured for this particular claim under a policy issued by KLCIS subject to terms, conditions, exclusions, and limitations of the policy.

*Status:* The Court granted BCI’s Motion for Summary Judgment based on the exclusive remedy provision of the Kentucky Workers Compensation Act (the decedents were employees of BCI). No depositions have been taken, but extensive paper discovery has been exchanged.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2025 and 2024</b>
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**NOTE 17 – LITIGATION (Continued)**

SD1 is the defendant in 11 separate lawsuits relating to matters arising in the normal course of business. SD1 intends to aggressively defend each of these suits, and financial contingencies that could be awarded in the lawsuits are covered, at least in part, by SD1’s insurance company. SD1 also has several other claims against it which involve flooding, sewer backups, odor control, and minor property damages; the majority of these claims are covered by SD1 insurance policies and are being vigorously defended by SD1’s insurance carrier. In addition, SD1 has several collections claims filed against individual customers who have, in turn, filed counter claims against SD1.

**NOTE 18 – INSURANCE IN FORCE**

SD1 has the following insurance policies in force during the years ended June 30, 2025 and 2024:

Type of Coverage	Amount of Coverage	
	2025	2024
Property- Buildings, pump stations, machinery	\$ 496,524,265	\$ 442,014,506
Earthquake	60,000,000	60,000,000
Equipment breakdown	50,000,000	50,000,000
Flood	50,000,000	50,000,000
Vehicles	10,000,000	10,000,000
Environmental impairment	25,000,000	25,000,000
Public entity management liability	10,000,000	10,000,000
General liability, aggregate	26,000,000	26,000,000
Scheduled equipment	5,141,159	5,058,016
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
Electronic vandalism	100,000	100,000
Telecommunications-tower	89,600	89,600

**NOTE 19 – INTERFUND TRANSFERS**

SD1 made a transfer of assets in the amount of \$0 and \$0 in the years ended June 30, 2025 and 2024, respectively, from the Sanitation Fund to the Stormwater Fund. This was the result of new storm water assets being constructed and separated as part of sanitary improvement projects.

**NOTE 20 – RECLASSIFICATION OF PRIOR YEAR BALANCES**

The capital and subscription-based assets on the 2024 Statement of Net Position have been reclassified to agree with current year reporting. There were no changes to account totals.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2025 and 2024</b>
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**NOTE 21 – SUBSEQUENT EVENTS**

SD1 has evaluated subsequent events through December 16, 2025, which is the date the financial statements were available for issue.

SD1 did not have any events subsequent to June 30, 2025 through December 16, 2025 to disclose.

**REQUIRED  
SUPPLEMENTARY INFORMATION**

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

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of net pension liability	0.4523%	0.4730%	0.4916%	0.5661%	0.5263%	0.5175%	0.5280%	5.4090%	0.5450%	0.5661%
Proportionate share of the net pension liability (asset)	\$ 27,051,251	\$ 30,352,138	\$ 35,539,710	\$ 33,129,277	\$ 40,366,467	\$ 36,394,880	\$ 32,157,114	\$ 31,661,594	\$ 26,833,461	\$ 24,340,276
Covered payroll in year of measurement	14,354,036	13,808,283	13,499,176	13,231,649	13,594,328	13,229,298	13,358,633	13,338,602	13,241,319	13,307,431
Share of the net pension liability (asset) as a percentage of its covered payroll	188.46%	219.81%	263.27%	250.38%	296.94%	275.11%	240.72%	237.37%	202.65%	182.91%
Plan fiduciary net position as a percentage of total pension liability	61.61%	57.48%	52.42%	57.33%	47.81%	50.45%	53.54%	53.32%	55.50%	59.97%

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 2,886,539	\$ 3,350,232	\$ 3,231,138	\$ 2,857,776	\$ 2,553,708	\$ 2,638,931	\$ 2,153,407	\$ 1,934,330	\$ 1,860,735	\$ 1,644,572
Actual contribution	2,886,539	3,350,232	3,231,138	2,857,776	2,553,708	2,638,931	2,153,407	1,934,330	1,860,735	1,644,572
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll	14,645,050	14,354,036	13,808,283	13,499,176	13,231,649	13,594,328	13,229,298	13,358,633	13,338,602	13,241,319
Contributions as a percentage of covered payroll	19.71%	23.34%	23.40%	21.17%	19.30%	19.41%	16.28%	14.48%	13.95%	12.42%

**Notes to Required Supplementary Information**  
**June 30, 2025**

**Changes of Assumptions**

The net pension liability as of June 30, 2025 is based on the June 30, 2024, actuarial valuation. The changes to the elements of the pension expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between SD1's contributions and proportionate share of contributions are detailed in NOTE 9 in the Notes to the Financial Statements.

**SANITATION DISTRICT NO. 1****MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN-NON-HAZARDOUS****Last Ten Fiscal Years\****\* Additional years' information will be displayed as it becomes available***Schedule of the SD1's Proportionate Share of the Net OPEB Liability  
County Employees' Retirement System (CERS)**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of net OPEB liability	0.4528%	0.4730%	0.4917%	0.5195%	0.5262%	0.5174%	0.5280%	0.5409%		
Proportionate share of the net OPEB liability (asset)	\$ (783,211)	\$ (653,076)	\$ 9,702,701	\$ 9,945,376	\$ 12,705,864	\$ 8,702,115	\$ 9,374,446	\$ 10,874,302		
Covered payroll in year of measurement	14,354,036	13,808,283	13,499,176	13,231,649	13,594,328	13,229,298	13,358,633	13,338,602		
Share of the net OPEB liability (asset) as a percentage of its covered payroll	-5.46%	-4.73%	71.88%	75.16%	93.46%	65.78%	70.18%	81.53%		
Plan fiduciary net position as a percentage of total OPEB liability	104.89%	104.23%	60.95%	62.91%	51.67%	60.44%	57.62%	52.39%		

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ -	\$ -	\$ 468,101	\$ 780,252	\$ 629,826	\$ 650,845	\$ 698,331	\$ 627,856	\$ 630,916	
Actual contribution	-	-	468,101	780,252	629,826	650,845	698,331	627,856	630,916	
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	
Covered payroll	14,645,050	14,354,036	13,808,283	13,499,176	13,231,649	13,594,328	13,229,298	13,358,633	13,338,602	
Contributions as a percentage of covered payroll	0.00%	0.00%	3.39%	5.78%	4.76%	4.79%	5.28%	4.70%	4.73%	

**Notes to Required Supplementary Information  
June 30, 2025****Changes of Assumptions**

The net OPEB liability as of June 30, 2025, is based on the June 30, 2024, actuarial valuation. The changes to the elements of the pension expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between SD1's contributions and proportionate share of contributions are detailed in NOTE 10 in the Notes to the Financial Statements.

## **SUPPLEMENTARY INFORMATION**

**SANITATION DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -**  
**GENERAL REVENUES**  
**For the Year Ended June 30, 2025**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Sewer service charges	\$ 113,150,000	\$ 116,647,451	\$ 3,497,451
Storm water charges	10,660,000	11,006,985	346,985
Surcharges	3,500,000	4,651,937	1,151,937
Capacity connection fees	4,575,000	5,590,778	1,015,778
Penalties	1,845,000	2,077,284	232,284
Fines	15,000	31,250	16,250
Inspections	267,500	284,057	16,557
Permits	405,000	483,887	78,887
Project reimbursements	-	-	-
Contractual services	200,000	210,129	10,129
Sludge hauling	500,000	634,577	134,577
Bad debt recoveries	9,500	15,267	5,767
Other revenues	25,000	68,141	43,141
<b>Total General Revenue</b>	<u>\$ 135,152,000</u>	<u>\$ 141,701,743</u>	<u>\$ 6,549,743</u>

**SANITATION DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -**  
**GENERAL REVENUES**  
**For the Year Ended June 30, 2024**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Sewer service charges	\$ 105,800,000	\$ 108,569,676	\$ 2,769,676
Storm water charges	10,985,000	11,272,252	287,252
Surcharges	3,505,000	4,512,567	1,007,567
Capacity connection fees	4,500,000	4,904,533	404,533
Penalties	1,830,000	1,948,678	118,678
Fines	15,000	636,500	621,500
Inspections	230,000	294,588	64,588
Permits	401,000	416,371	15,371
Project reimbursements	-	(43,057)	(43,057)
Contractual services	200,000	207,227	7,227
Sludge hauling	425,000	609,823	184,823
Bad debt recoveries	11,500	10,402	(1,098)
Other revenues	25,000	89,267	64,267
<b>Total General Revenue</b>	<u>\$ 127,927,500</u>	<u>\$ 133,428,827</u>	<u>\$ 5,501,327</u>

<b>SANITATION DISTRICT NO. 1</b> <b>BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -</b> <b>OPERATION, MAINTENANCE, AND ADMINISTRATION</b> <b>For the Year Ended June 30, 2025</b>
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Expenses			Variance Under (Over)
<b>Dry Creek Treatment Plant Operations</b>	<b>Budget</b>	<b>Actual</b>	
Salaries and wages	\$ 2,593,746	\$ 2,391,500	\$ 202,246
Medical and dental self-insured plan	671,485	706,742	(35,257)
Pension plan	441,489	431,725	9,764
Payroll taxes	198,422	176,606	21,816
Employee benefits	30,270	26,872	3,398
Credits charged to capital projects	-	(6,795)	6,795
Insurance and bond	240,082	224,474	15,608
Professional and contracted services	266,036	208,884	57,152
Postage	1,620	1,790	(170)
Office and operating supplies	186,430	171,055	15,375
Operating maintenance - building grounds	99,050	109,160	(10,110)
Travel, training and certification	89,313	59,994	29,319
Subscriptions	400	485	(85)
Contract labor - building maintenance	3,500	4,065	(565)
Legal advertising	-	1,368	(1,368)
Chemicals	1,977,050	1,502,400	474,650
Electric and gas	1,145,340	1,114,908	30,432
Telephone and radio	29,940	23,252	6,688
Fuel oil	73,700	44,700	29,000
Water	48,000	58,511	(10,511)
Vehicle fuels	71,515	49,469	22,046
Auto and truck expense	101,000	93,819	7,181
Sludge and grit removal	1,051,400	893,926	157,474
Maintenance material - plant equipment	250,000	370,499	(120,499)
Safety equipment expense	20,000	12,449	7,551
Rental	8,000	7,969	31
<b>Total Dry Creek Treatment Plant Expenses</b>	<b>9,597,788</b>	<b>8,679,827</b>	<b>917,960</b>

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<b>SANITATION DISTRICT NO. 1</b> <b>BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -</b> <b>OPERATION, MAINTENANCE, AND ADMINISTRATION</b> <b>For the Year Ended June 30, 2025</b>
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Expenses			Variance Under (Over)
<b>Eastern Regional Reclamation Facility</b>	<b>Budget</b>	<b>Actual</b>	
Salaries and wages	\$ 465,541	\$ 460,643	\$ 4,898
Medical and dental self-insured plan	123,749	129,285	(5,536)
Pension plan	83,381	83,386	(5)
Payroll taxes	35,614	34,021	1,593
Employee benefits	5,582	4,291	1,291
Credits charged to capital projects	(33,000)	(53,759)	20,759
Insurance and bond	52,665	50,902	1,763
Professional and contracted services	75,072	36,339	38,733
Office and operating supplies	28,500	25,328	3,172
Operating maintenance - building grounds	26,300	24,889	1,411
Travel, training and certification	13,700	3,367	10,333
Subscriptions	400	-	400
Chemicals	108,000	72,533	35,467
Electric and gas	373,340	364,798	8,542
Telephone and radio	9,800	8,435	1,365
Fuel oil	8,000	3,753	4,247
Water	6,700	3,675	3,025
Vehicle fuels	10,038	5,506	4,532
Auto and truck expense	9,000	9,711	(711)
Sludge and grit removal	105,200	116,357	(11,157)
Maintenance material - plant equipment	145,000	52,451	92,549
Safety equipment expense	7,200	772	6,428
Rental	1,000	-	1,000
<b>Total Eastern Regional Facility Expenses</b>	<b>1,660,782</b>	<b>1,436,683</b>	<b>224,099</b>

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<b>SANITATION DISTRICT NO. 1</b> <b>BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -</b> <b>OPERATION, MAINTENANCE, AND ADMINISTRATION</b> <b>For the Year Ended June 30, 2025</b>
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Expenses			Variance Under (Over)
<b>Western Regional Reclamation Facility</b>	<b>Budget</b>	<b>Actual</b>	
Salaries and wages	\$ 622,439	\$ 642,439	\$ (20,000)
Medical and dental self-insured plan	177,368	185,693	(8,325)
Pension plan	116,573	123,354	(6,781)
Payroll taxes	47,617	47,414	203
Employee benefits	9,297	7,454	1,843
Credits charged to capital projects	-	(960)	960
Insurance and bond	90,554	87,912	2,642
Professional and contracted services	94,000	43,393	50,607
Postage	100	416	(316)
Office and operating supplies	39,680	33,827	5,853
Operating maintenance - building grounds	55,400	56,265	(865)
Travel, training and certification	8,600	4,721	3,879
Contract labor - building maintenance	-	-	-
Chemicals	317,435	349,288	(31,853)
Electric and gas	870,000	858,150	11,850
Telephone and radio	15,000	14,931	69
Fuel oil	1,500	2,434	(934)
Vehicle fuels	4,687	3,653	1,034
Auto and truck expense	25,300	46,227	(20,927)
Sludge and grit removal	774,840	694,863	79,977
Maintenance material - plant equipment	139,650	47,370	92,280
Safety equipment expense	5,000	3,308	1,692
Rentals	3,000	(608)	3,608
<b>Total Western Regional Facility Expenses</b>	<b>3,418,040</b>	<b>3,251,544</b>	<b>166,496</b>

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<b>SANITATION DISTRICT NO. 1</b> <b>BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -</b> <b>OPERATION, MAINTENANCE, AND ADMINISTRATION</b> <b>For the Year Ended June 30, 2025</b>
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<b>Expenses</b>			<b>Variance</b>
<b>Collection System</b>	<b>Budget</b>	<b>Actual</b>	<b>Under</b>
			<b>(Over)</b>
Salaries and wages	\$ 2,667,076	\$ 2,771,836	\$ (104,760)
Medical and dental self-insured plan	811,496	970,140	(158,644)
Pension plan	499,268	519,498	(20,230)
Payroll taxes	204,031	205,274	(1,243)
Employee benefits	39,425	37,808	1,617
Credits charged to capital projects	(775,621)	(765,721)	(9,900)
Insurance and bond	478,414	672,928	(194,514)
Professional and contracted services	1,130,753	906,137	224,616
Postage	4,800	6,325	(1,525)
Office and operating supplies	7,441	4,958	2,483
Travel, training and certification	23,524	27,100	(3,576)
Subscriptions	660	325	335
Telephone and radio	32,309	30,494	1,815
Vehicle fuels	147,620	118,773	28,847
Auto and truck expense	282,512	268,958	13,554
Sludge and grit removal	21,000	19,730	1,270
Maintenance material - collection systems	368,704	450,548	(81,844)
Safety equipment expense	23,891	32,606	(8,715)
Penalties and Fines	-	253	(253)
Private Lateral Program	300,000	228,034	71,966
<b>Total Collection System Expenses</b>	<b>6,267,303</b>	<b>6,506,004</b>	<b>(238,701)</b>

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**SANITATION DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -**  
**OPERATION, MAINTENANCE, AND ADMINISTRATION**  
**For the Year Ended June 30, 2025**

<b>Expenses</b>			<b>Variance</b>
<b>Pump Stations/Field Tech</b>	<b>Budget</b>	<b>Actual</b>	<b>Under</b>
			<b>(Over)</b>
Salaries and wages	\$ 1,136,380	\$ 1,186,408	\$ (50,028)
Medical and dental self-insured plan	320,063	339,434	(19,371)
Pension plan	209,789	223,982	(14,193)
Payroll taxes	86,933	87,690	(757)
Employee benefits	16,810	15,698	1,112
Credits charged to capital projects	(126,400)	(134,031)	7,631
Insurance and bond	186,842	230,925	(44,083)
Professional and contracted services	261,150	286,840	(25,690)
Office and operating supplies	9,250	9,171	79
Operating maintenance - building grounds	55,774	27,166	28,608
Travel, training and certification	17,984	9,052	8,932
Dues and Subscriptions	-	1,595	(1,595)
Chemicals	1,794,520	1,351,897	442,623
Electric and gas	2,221,000	2,614,270	(393,270)
Telephone and radio	59,775	60,291	(516)
Fuel oil	9,500	11,772	(2,272)
Water	60,000	56,180	3,820
Storm water surcharge	384	381	3
Vehicle fuels	56,630	48,809	7,821
Auto and truck expense	105,000	119,550	(14,550)
Sludge and grit removal	166,109	162,405	3,704
Operating Maintenance - pump stations	254,900	286,260	(31,360)
Safety equipment expense	17,350	17,260	90
Rental	1,900	3,093	(1,193)
Penalties and Fines	-	50	(50)
<b>Total Pump Stations/Field Tech Expenses</b>	<b>6,921,643</b>	<b>7,016,148</b>	<b>(94,505)</b>

(Continued to next page)

**SANITATION DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -**  
**OPERATION, MAINTENANCE, AND ADMINISTRATION**  
**For the Year Ended June 30, 2025**

Expenses	<u>Budget</u>	<u>Actual</u>	<u>Variance Under (Over)</u>
<b>Operations</b>			
Salaries and wages	\$ 807,532	\$ 839,156	\$ (31,624)
Medical and dental self-insured plan	218,509	231,335	(12,826)
Pension plan	153,850	152,391	1,459
Payroll taxes	61,776	61,962	(186)
Employee benefits	7,330	7,123	207
Credits charged to capital projects	(95,506)	(81,238)	(14,268)
Insurance and bond	67,900	65,957	1,943
Professional and contracted services	168,400	162,441	5,959
Office and operating supplies	9,512	4,995	4,517
Operating maintenance - building grounds	194,714	119,392	75,322
Travel, training and certification	17,755	7,266	10,489
Subscriptions	4,016	2,158	1,858
Electric and gas	123,343	116,767	6,576
Telephone and radio	47,300	48,772	(1,472)
Water	12,325	10,967	1,358
Vehicle fuels	29,032	17,365	11,667
Auto and truck expense	14,801	16,932	(2,131)
Safety equipment expense	1,340	-	1,340
Basement Back-Up Assistance Program	125,000	54,794	70,206
<b>Total Collection System Expenses</b>	<u>1,968,929</u>	<u>1,838,535</u>	<u>130,394</u>

(Continued to next page)

<p><b>SANITATION DISTRICT NO. 1</b>  <b>BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -</b>  <b>OPERATION, MAINTENANCE, AND ADMINISTRATION</b>  <b>For the Year Ended June 30, 2025</b></p>
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Expenses			Variance
Engineering	<u>Budget</u>	<u>Actual</u>	<u>Under</u> <u>(Over)</u>
Salaries and wages	\$ 1,441,675	\$ 1,386,254	\$ 55,421
Medical and dental self-insured plan	337,727	356,740	(19,013)
Pension plan	270,479	256,704	13,775
Payroll taxes	110,288	102,452	7,836
Employee benefits	13,789	10,779	3,010
Credits charged to capital projects	(1,326,147)	(1,150,958)	(175,189)
Insurance and claim deductibles	103,113	153,065	(49,952)
Professional and contracted services	246,000	150,620	95,380
Legal services	16,000	15,100	900
Postage	1,000	628	372
Office and operating supplies	37,940	39,153	(1,213)
Training and certification	32,831	15,049	17,782
Subscriptions	16,980	13,026	3,954
Telephone and radio	16,824	14,640	2,184
Vehicle fuels	19,279	14,478	4,801
Auto and truck expense	15,176	4,445	10,731
Safety equipment expense	5,674	833	4,841
<b>Total Engineering Expenses</b>	<u>1,358,628</u>	<u>1,383,008</u>	<u>(24,380)</u>

**SANITATION DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -**  
**OPERATION, MAINTENANCE, AND ADMINISTRATION**  
**For the Year Ended June 30, 2025**

Expenses	Budget	Actual	Variance Under (Over)
<b>Storm Water Program</b>			
Salaries and wages	\$ 3,566,359	\$ 3,241,306	\$ 325,053
Board of directors	8,211	8,211	-
Medical and dental self-insured plan	874,422	812,831	61,591
Pension plan	671,503	603,488	68,015
Payroll taxes	272,826	238,663	34,163
Employee benefits	52,154	43,004	9,150
Unemployment taxes	3,351	1,416	1,935
Credits charged to capital projects	(731,599)	(644,144)	(87,455)
Insurance and bond	28,736	25,678	3,058
Professional and contracted services	685,636	397,084	288,552
Legal services	-	936	(936)
Bank services	93,437	88,443	4,994
Auditing services	12,288	9,541	2,747
Collections expenses	3,421	2,763	658
Postage	143,856	155,941	(12,085)
Office and operating supplies	108,076	94,161	13,915
Operating maintenance - building grounds	54,686	37,892	16,794
Storm water program	35,000	34,984	16
Training and certification	83,137	41,428	41,709
Subscriptions	77,656	71,070	6,586
Electric and gas	40,657	37,477	3,180
Telephone and radio	61,742	49,679	12,063
Water	6,067	3,627	2,440
Vehicle fuels	59,714	28,820	30,894
Auto and truck expense	103,199	45,245	57,954
Maintenance material - storm water	80,000	51,299	28,701
Storm water facilities and features	3,500	1,766	1,734
Safety equipment expense	15,124	14,991	133
Rentals	1,000	-	1,000
Penalties and fines	-	-	-
Storm water - Culvert Cost Share Prog.	421,270	22,275	398,995
Storm water - Technical Assistance Prog.	40,000	14,120	25,880
Storm water - Assistance Cost Share Prog.	65,000	23,769	41,231
<b>Total Storm Water Expenses</b>	<u>6,940,429</u>	<u>5,557,764</u>	<u>1,382,665</u>

(Continued to next page)

**SANITATION DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -**  
**OPERATION, MAINTENANCE, AND ADMINISTRATION**  
**For the Year Ended June 30, 2025**

<b>Expenses</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance Under (Over)</b>
<b>Administration</b>			
Salaries and wages	\$ 3,043,803	\$ 3,023,012	\$ 20,791
Board of directors	21,189	21,189	-
Medical and dental self-insured plan	672,601	729,337	(56,736)
Pension plan	573,611	555,213	18,398
Payroll taxes	232,851	217,847	15,004
Employee benefits	66,247	63,623	2,624
Unemployment taxes	8,649	3,654	4,995
Credits charged to capital projects	(7,262)	(14,935)	7,673
Insurance and claims deductibles	242,515	223,841	18,674
Professional and contracted services	833,149	782,296	50,853
Legal services	63,700	23,757	39,943
Bank services	241,132	284,306	(43,174)
Auditing services	31,712	24,619	7,093
Collections expenses	8,829	7,130	1,699
Postage	370,993	402,386	(31,393)
Office and operating supplies	127,821	110,839	16,982
Training and certification	99,052	51,309	47,743
Dues and subscriptions	133,492	86,830	46,662
Legal advertising	350	875	(525)
Telephone and radio	98,238	83,157	15,081
Vehicle fuels	429	798	(369)
Auto and truck expense	1,441	1,159	282
Safety equipment expense	10,810	25,899	(15,089)
Rental	46,220	39,508	6,712
Penalties and fines	11,140	337	10,803
<b>Total Administration Expenses</b>	<u>6,932,712</u>	<u>6,747,986</u>	<u>184,726</u>
<b>Total Operation, Maintenance, and Administration Expenses</b>	<u>\$ 45,066,254</u>	<u>\$ 42,417,499</u>	<u>\$ 2,648,755</u>

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

<b>General Revenues</b>	\$ 141,701,743
<b>Operation, Maintenance and Administration Expenses</b>	(42,417,499)
<b>Major Repair Expenses</b>	(924,169)
<b>Depreciation</b>	<u>(41,958,391)</u>
<b>Net Operating Income</b>	<u>\$ 56,401,684</u>

**SANITATION DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -**  
**OPERATION, MAINTENANCE, AND ADMINISTRATION**  
**For the Year Ended June 30, 2024**

<b>Expenses</b>			<b>Variance</b>
<b>Dry Creek Treatment Plant Operations</b>	<b>Budget</b>	<b>Actual</b>	<b>Under</b>
			<b>(Over)</b>
Salaries and wages	\$ 2,589,280	\$ 2,288,933	\$ 300,347
Medical and dental self-insured plan	611,630	685,324	(73,694)
Pension plan	532,082	490,419	41,663
Payroll taxes	198,080	168,964	29,116
Employee benefits	30,108	27,060	3,048
Credits charged to capital projects	-	(16,273)	16,273
Insurance and bond	232,167	221,430	10,737
Professional and contracted services	258,405	193,886	64,519
Postage	1,620	1,830	(210)
Office and operating supplies	181,466	177,340	4,126
Operating maintenance - building grounds	98,000	121,744	(23,744)
Travel, training and certification	84,601	67,950	16,651
Subscriptions	400	460	(60)
Contract labor - building maintenance	3,000	7,548	(4,548)
Legal advertising	-	1,233	(1,233)
Chemicals	2,816,038	1,780,018	1,036,020
Electric and gas	1,145,340	1,039,369	105,971
Telephone and radio	30,000	23,115	6,885
Fuel oil	73,700	56,525	17,175
Water	48,000	47,171	829
Vehicle fuels	90,881	58,345	32,536
Auto and truck expense	89,550	95,367	(5,817)
Sludge and grit removal	1,055,773	807,479	248,294
Maintenance material - plant equipment	280,000	166,866	113,134
Safety equipment expense	10,000	14,851	(4,851)
Rental	8,000	7,535	465
<b>Total Dry Creek Treatment Plant Expenses</b>	<b>10,468,121</b>	<b>8,534,489</b>	<b>1,933,632</b>

(Continued to next page)

**SANITATION DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -**  
**OPERATION, MAINTENANCE, AND ADMINISTRATION**  
**For the Year Ended June 30, 2024**

<b>Expenses</b>			<b>Variance</b>
<b>Eastern Regional Reclamation Facility</b>	<b>Budget</b>	<b>Actual</b>	<b>Under</b>
			<b>(Over)</b>
Salaries and wages	\$ 402,497	\$ 320,610	\$ 81,887
Medical and dental self-insured plan	91,744	102,162	(10,418)
Pension plan	87,837	66,625	21,212
Payroll taxes	30,791	23,497	7,294
Employee benefits	5,155	3,422	1,733
Credits charged to capital projects	(33,000)	(34,896)	1,896
Insurance and bond	66,205	46,856	19,349
Professional and contracted services	57,115	30,902	26,213
Office and operating supplies	27,500	25,056	2,444
Operating maintenance - building grounds	26,300	18,913	7,387
Travel, training and certification	12,500	10,642	1,858
Subscriptions	400	-	400
Chemicals	118,500	71,905	46,595
Electric and gas	373,340	313,761	59,579
Telephone and radio	9,800	7,981	1,819
Fuel oil	8,000	-	8,000
Water	6,700	5,003	1,697
Vehicle fuels	17,852	5,901	11,951
Auto and truck expense	18,429	4,624	13,805
Sludge and grit removal	88,750	91,381	(2,631)
Maintenance material - plant equipment	145,000	77,000	68,000
Safety equipment expense	6,200	1,554	4,646
Rental	1,000	-	1,000
<b>Total Eastern Regional Facility Expenses</b>	<b>1,568,615</b>	<b>1,192,899</b>	<b>375,716</b>

(Continued to next page)

**SANITATION DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -**  
**OPERATION, MAINTENANCE, AND ADMINISTRATION**  
**For the Year Ended June 30, 2024**

<b>Expenses</b>			<b>Variance Under (Over)</b>
<b>Western Regional Reclamation Facility</b>	<b>Budget</b>	<b>Actual</b>	
Salaries and wages	\$ 658,759	\$ 627,212	\$ 31,547
Medical and dental self-insured plan	183,489	203,252	(19,763)
Pension plan	150,019	142,246	7,773
Payroll taxes	50,395	46,208	4,187
Employee benefits	9,937	8,322	1,615
Credits charged to capital projects	-	(9,240)	9,240
Insurance and bond	93,763	86,212	7,551
Professional and contracted services	71,500	75,083	(3,583)
Postage	100	381	(281)
Office and operating supplies	39,680	35,373	4,307
Operating maintenance - building grounds	41,580	54,231	(12,651)
Travel, training and certification	914	9,388	(8,474)
Contract labor - building maintenance	-	-	-
Chemicals	315,986	299,323	16,663
Electric and gas	922,305	888,301	34,004
Telephone and radio	14,400	14,471	(71)
Fuel oil	1,500	596	904
Vehicle fuels	3,856	4,422	(566)
Auto and truck expense	13,000	36,217	(23,217)
Sludge and grit removal	768,000	836,613	(68,613)
Maintenance material - plant equipment	182,890	80,270	102,620
Safety equipment expense	1,200	5,142	(3,942)
Rentals	3,000	2,170	830
<b>Total Western Regional Facility Expenses</b>	<b>3,526,273</b>	<b>3,446,193</b>	<b>80,080</b>

(Continued to next page)

**SANITATION DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -**  
**OPERATION, MAINTENANCE, AND ADMINISTRATION**  
**For the Year Ended June 30, 2024**

<b>Expenses</b>			<b>Variance</b>
<b>Collection System</b>	<b>Budget</b>	<b>Actual</b>	<b>Under</b>
			<b>(Over)</b>
Salaries and wages	\$ 2,655,790	\$ 2,689,292	\$ (33,502)
Medical and dental self-insured plan	722,061	878,030	(155,969)
Pension plan	599,201	593,919	5,282
Payroll taxes	203,168	198,961	4,207
Employee benefits	38,052	36,960	1,092
Credits charged to capital projects	(777,157)	(789,472)	12,315
Insurance and bond	597,056	574,120	22,936
Professional and contracted services	665,246	980,669	(315,423)
Postage	4,800	4,303	497
Office and operating supplies	14,875	11,751	3,124
Travel, training and certification	21,723	24,003	(2,280)
Subscriptions	537	820	(283)
Telephone and radio	31,562	31,342	220
Vehicle fuels	180,028	129,756	50,272
Auto and truck expense	322,358	158,424	163,934
Sludge and grit removal	18,000	21,263	(3,263)
Maintenance material - collection systems	346,018	363,836	(17,818)
Safety equipment expense	33,510	30,415	3,095
Private Lateral Program	300,000	359,889	(59,889)
<b>Total Collection System Expenses</b>	<b>5,976,828</b>	<b>6,298,281</b>	<b>(321,453)</b>

(Continued to next page)

**SANITATION DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -**  
**OPERATION, MAINTENANCE, AND ADMINISTRATION**  
**For the Year Ended June 30, 2024**

<b>Expenses</b>			<b>Variance Under (Over)</b>
<b>Pump Stations/Field Tech</b>	<b>Budget</b>	<b>Actual</b>	
Salaries and wages	\$ 992,411	\$ 1,077,425	\$ (85,014)
Medical and dental self-insured plan	259,943	302,917	(42,974)
Pension plan	226,727	240,287	(13,560)
Payroll taxes	75,919	79,617	(3,698)
Employee benefits	15,268	14,184	1,084
Credits charged to capital projects	(169,100)	(152,925)	(16,175)
Insurance and bond	138,296	143,718	(5,422)
Professional and contracted services	225,550	161,754	63,796
Postage	-	243	(243)
Office and operating supplies	9,190	8,241	949
Operating maintenance - building grounds	53,640	25,623	28,017
Travel, training and certification	17,397	12,563	4,834
Chemicals	1,819,645	1,497,815	321,830
Electric	2,436,000	2,213,039	222,961
Gas	20,000	21,695	(1,695)
Telephone and radio	62,680	57,879	4,801
Fuel oil	11,000	8,182	2,818
Water	32,000	65,040	(33,040)
Storm water surcharge	384	381	3
Vehicle fuels	61,435	51,606	9,829
Auto and truck expense	83,374	102,326	(18,952)
Sludge and grit removal	162,320	166,758	(4,438)
Operating Maintenance - pump stations	272,595	198,697	73,898
Safety equipment expense	28,050	18,248	9,802
Rental	1,900	2,277	(377)
<b>Total Pump Stations/Field Tech Expenses</b>	<b>6,836,624</b>	<b>6,317,590</b>	<b>519,034</b>

(Continued to next page)

**SANITATION DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -**  
**OPERATION, MAINTENANCE, AND ADMINISTRATION**  
**For the Year Ended June 30, 2024**

<b>Expenses</b>			<b>Variance</b>
<b>Operations</b>	<b>Budget</b>	<b>Actual</b>	<b>Under</b>
			<b>(Over)</b>
Salaries and wages	\$ 980,125	\$ 804,569	\$ 175,556
Medical and dental self-insured plan	199,413	220,717	(21,304)
Pension plan	201,205	177,820	23,385
Payroll taxes	74,980	59,102	15,878
Employee benefits	23,471	17,591	5,880
Credits charged to capital projects	(147,686)	(83,534)	(64,152)
Insurance and bond	78,080	72,709	5,371
Professional and contracted services	240,142	172,569	67,573
Office and operating supplies	8,745	8,540	205
Operating maintenance - building grounds	189,945	118,971	70,974
Travel, training and certification	24,023	10,351	13,672
Subscriptions	23,126	18,902	4,224
Electric	113,355	97,607	15,748
Gas	47,300	34,692	12,608
Telephone and radio	16,494	9,388	7,106
Water	38,357	17,256	21,101
Vehicle fuels	6,662	4,920	1,742
Auto and truck expense	9,867	7,648	2,219
Safety equipment expense	1,335	-	1,335
Basement Back-Up Assistance Program	150,000	140,807	9,193
<b>Total Collection System Expenses</b>	<b>2,278,939</b>	<b>1,910,625</b>	<b>368,314</b>

(Continued to next page)

**SANITATION DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -**  
**OPERATION, MAINTENANCE, AND ADMINISTRATION**  
**For the Year Ended June 30, 2024**

<b>Expenses</b>			<b>Variance Under (Over)</b>
<b>Engineering</b>	<b>Budget</b>	<b>Actual</b>	
Salaries and wages	\$ 1,396,813	\$ 1,465,437	\$ (68,624)
Medical and dental self-insured plan	296,465	334,008	(37,543)
Pension plan	318,889	311,172	7,717
Payroll taxes	106,856	108,474	(1,618)
Employee benefits	14,532	10,365	4,167
Credits charged to capital projects	(1,157,477)	(1,362,640)	205,163
Insurance and claim deductibles	106,166	118,783	(12,617)
Professional and contracted services	246,000	197,954	48,046
Legal services	16,000	225	15,775
Postage	750	239	511
Office and operating supplies	38,131	37,890	241
Training and certification	28,477	17,482	10,995
Subscriptions	8,256	9,637	(1,381)
Telephone and radio	16,479	15,574	905
Vehicle fuels	21,342	15,851	5,491
Auto and truck expense	16,163	8,692	7,471
Safety equipment expense	5,558	1,403	4,155
<b>Total Engineering Expenses</b>	<b>1,479,400</b>	<b>1,290,546</b>	<b>188,854</b>

(Continued to next page)

**SANITATION DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -**  
**OPERATION, MAINTENANCE, AND ADMINISTRATION**  
**For the Year Ended June 30, 2024**

<b>Expenses</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance Under (Over)</b>
<b>Storm Water Program</b>			
Salaries and wages	\$ 3,568,199	\$ 3,378,115	\$ 190,084
Board of directors	8,242	8,241	1
Medical and dental self-insured plan	781,126	800,876	(19,750)
Pension plan	803,973	736,696	67,277
Payroll taxes	272,967	248,729	24,238
Employee benefits	51,823	42,634	9,189
Unemployment taxes	3,364	-	3,364
Credits charged to capital projects	(731,479)	(616,815)	(114,664)
Insurance and bond	33,587	30,198	3,389
Professional and contracted services	694,600	335,393	359,207
Legal services	-	2,179	(2,179)
Bank services	88,628	67,956	20,672
Auditing services	9,532	11,593	(2,061)
Collections expenses	3,462	2,283	1,179
Postage	138,913	139,295	(382)
Office and operating supplies	108,806	92,026	16,780
Operating maintenance - building grounds	69,655	48,171	21,484
Storm water program	35,000	30,980	4,020
Training and certification	87,641	52,622	35,019
Subscriptions	108,983	68,899	40,084
Electric and gas	52,765	43,605	9,160
Telephone and radio	66,034	53,095	12,939
Water	11,643	5,239	6,404
Vehicle fuels	73,072	39,940	33,132
Auto and truck expense	115,624	45,900	69,724
Maintenance material - storm water	75,000	53,007	21,993
Storm water facilities and features	5,000	48	4,952
Safety equipment expense	17,591	9,954	7,637
Rentals	1,500	-	1,500
Storm water - Culvert Cost Share Prog.	50,000	-	50,000
Storm water - Technical Assistance Prog.	40,000	23,582	16,418
Storm water - Assistance Cost Share Prog.	65,000	-	65,000
<b>Total Storm Water Expenses</b>	<b>6,710,251</b>	<b>5,754,441</b>	<b>955,810</b>

(Continued to next page)

**SANITATION DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -**  
**OPERATION, MAINTENANCE, AND ADMINISTRATION**  
**For the Year Ended June 30, 2024**

<b>Expenses</b>			<b>Variance</b>
<b>Administration</b>	<b>Budget</b>	<b>Actual</b>	<b>Under</b>
			<b>(Over)</b>
Salaries and wages	\$ 2,685,713	\$ 2,701,104	\$ (15,391)
Board of directors	21,158	21,159	(1)
Medical and dental self-insured plan	539,199	615,879	(76,680)
Pension plan	604,808	591,047	13,761
Payroll taxes	205,457	194,456	11,001
Employee benefits	47,456	47,714	(258)
Unemployment taxes	8,636	-	8,636
Credits charged to capital projects	(7,251)	(13,815)	6,564
Insurance and claims deductibles	256,631	236,896	19,735
Professional and contracted services	792,430	685,514	106,916
Legal services	72,000	11,838	60,162
Bank services	227,512	229,578	(2,066)
Auditing services	24,468	29,767	(5,299)
Collections expenses	8,888	5,861	3,027
Postage	356,337	357,656	(1,319)
Office and operating supplies	118,743	104,484	14,259
Training and certification	103,684	52,973	50,711
Dues and subscriptions	76,323	70,677	5,646
Legal advertising	350	507	(157)
Telephone and radio	97,646	83,009	14,637
Vehicle fuels	372	517	(145)
Auto and truck expense	1,479	1,460	19
Safety equipment expense	8,996	8,159	837
Rental	46,200	37,647	8,553
Penalties and fines	1,140	47,000	(45,860)
<b>Total Administration Expenses</b>	<b>6,298,375</b>	<b>6,121,087</b>	<b>177,288</b>
<b>Total Operation, Maintenance, and Administration Expenses</b>	<b>\$ 45,143,426</b>	<b>\$ 40,866,151</b>	<b>\$ 4,277,275</b>

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

<b>General Revenues</b>	\$ 133,428,827
<b>Operation, Maintenance and Administration Expenses</b>	(40,866,151)
<b>Major Repair Expenses</b>	(975,294)
<b>Depreciation</b>	(41,625,787)
<b>Net Operating Income</b>	<b>\$ 49,961,595</b>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of Sanitation District No. 1 as of June 30, 2025 and 2024 and the related notes to the financial statements which collectively comprise Sanitation District No. 1's financial statements, and have issued our report thereon dated December 16, 2025.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Sanitation District No. 1's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sanitation District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of Sanitation District No. 1's internal control.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Sanitation District No. 1's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

*Chamberlin Owen & Co., Inc.*

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

Erlanger, Kentucky

December 16, 2025

## **STATISTICAL SECTION**

## STATISTICAL SECTION

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

<b><u>CONTENTS:</u></b>	<b><u>PAGE</u></b>
<b><i>Financial Trends:</i></b>	108-114
These schedules contain trend information to help readers understand how SD1's financial performance and position have changed over time. These schedules include adjustments for the implementation of GASB 65, GASB 68, and GASB 75 for only the years presented during the implementation.	
<b><i>Revenue Capacity:</i></b>	115-118
These schedules contain information to help readers assess SD1's most significant revenue sources.	
<b><i>Debt Service Coverage:</i></b>	119-121
These schedules present information to help readers assess SD1's current level of outstanding debt and SD1's ability to issue additional debt in the future.	
<b><i>Demographic and Economic Information:</i></b>	122-126
These schedules provide information about the environment in which SD1 operates.	
<b><i>Operating Information:</i></b>	127-128
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										
	2016	2017	2018	2019	2020	2021	2022	2023	(Restated) 2023	2024	2025
<b>Assets and Deferred Outflow of Resources</b>											
<b>Current Assets</b>											
Cash and cash equivalents	\$ 45,131,172	\$ 54,193,357	\$ 62,802,884	\$ 80,813,023	\$ 100,242,692	\$ 95,507,902	\$ 121,291,748	\$ 157,206,511	\$ 157,206,511	\$ 204,347,866	\$ 237,207,402
Investments						14,902,275	13,764,008	13,571,323	13,571,323	14,059,267	14,924,383
Accounts receivable											
Customers	10,138,377	9,014,025	8,546,145	9,078,639	9,749,473	8,602,711	9,364,254	9,917,731	9,917,731	10,878,642	11,148,541
Communities	14,450	13,506	12,231	13,361	11,638	18,165	18,837	21,303	21,303	11,362	110,544
KIA loan receivable	-	-	-	-	-	-	-	3,786,970	3,786,970	-	5,182,005
Other	3,750,928	4,246,702	4,339,856	3,629,261	3,451,082	2,629,038	2,497,612	2,743,728	2,743,728	3,907,651	3,534,383
Accrued unbilled charges	9,615,950	10,053,930	10,653,130	11,022,325	11,069,670	11,040,210	11,606,800	12,331,499	12,331,499	12,947,600	13,377,400
Prepays and deposits	765,868	703,728	894,254	929,123	910,011	1,069,798	1,174,665	1,114,267	1,114,267	1,303,605	1,197,972
Accrued interest income	22,208	26,267	34,001	34,473	36,839	16,618	19,831	37,410	37,410	108,464	196,240
<b>Total Current Assets</b>	<b>69,438,953</b>	<b>78,251,515</b>	<b>87,282,501</b>	<b>105,520,205</b>	<b>125,471,405</b>	<b>133,786,717</b>	<b>159,737,755</b>	<b>200,730,742</b>	<b>200,730,742</b>	<b>247,564,457</b>	<b>286,878,870</b>
<b>Noncurrent Assets</b>											
<b>Restricted Assets</b>											
Cash and cash equivalents	3,633,285	2,366,227	999,364	1,916,051	2,471,268	1,887,205	1,537,023	2,534,966	2,534,966	2,305,486	2,261,576
Bond proceeds							46,304,227	16,598,745	16,598,745	-	-
Investments	85,017,276	83,531,917	83,376,441	81,381,605	76,700,826	75,004,070	77,861,390	80,435,941	80,435,941	83,544,833	85,680,930
Accrued interest	130,370	161,677	220,016	243,323	212,416	136,373	135,141	288,686	288,686	484,712	413,539
<b>Total Restricted Assets</b>	<b>88,780,931</b>	<b>86,059,821</b>	<b>84,595,821</b>	<b>83,540,979</b>	<b>79,384,510</b>	<b>77,027,648</b>	<b>125,837,781</b>	<b>99,858,338</b>	<b>99,858,338</b>	<b>86,335,031</b>	<b>88,356,045</b>
<b>Receivables</b>											
Assessments	1,380,740	1,321,474	1,254,547	1,200,981	835,386	540,893	494,365	457,741	457,741	379,621	335,561
109	5,130	5,130	5,130	5,130	-	-	-	-	-	-	-
<b>Total Receivables</b>	<b>1,385,870</b>	<b>1,326,604</b>	<b>1,259,677</b>	<b>1,206,111</b>	<b>835,386</b>	<b>540,893</b>	<b>494,365</b>	<b>457,741</b>	<b>457,741</b>	<b>379,621</b>	<b>335,561</b>
<b>Net OPEB Asset</b>											<b>783,208</b>
<b>Capital Assets</b>											
Land	15,845,697	16,140,009	16,580,850	17,548,769	18,578,720	19,222,017	19,542,461	20,214,768	20,214,768	20,415,305	20,453,001
Building, systems, equipment, and vehicles	1,485,535,837	1,509,064,756	1,532,787,878	1,560,416,295	1,596,425,537	1,609,415,779	1,635,539,977	1,673,880,849	1,673,880,849	1,695,660,613	1,734,559,611
Less: accumulated depreciation	(424,805,548)	(462,048,715)	(500,137,767)	(537,838,619)	(575,835,165)	(607,196,039)	(645,995,857)	(663,146,877)	(663,146,877)	(700,004,355)	(738,834,179)
total utility plant in service	1,076,575,986	1,063,156,050	1,049,230,961	1,040,126,445	1,039,169,092	1,021,441,757	1,009,086,581	1,030,948,740	1,030,948,740	1,016,071,563	1,016,178,433
Construction in progress	11,444,632	11,914,610	18,309,156	17,430,531	12,151,572	27,427,347	53,715,784	50,690,266	50,690,266	67,927,764	87,368,079
Subscription Assets, net of amortization	-	-	-	-	-	-	-	-	570,999	721,832	1,010,885
<b>Total Capital Assets, Net</b>	<b>1,088,020,618</b>	<b>1,075,070,660</b>	<b>1,067,540,117</b>	<b>1,057,556,976</b>	<b>1,051,320,664</b>	<b>1,048,869,104</b>	<b>1,062,802,365</b>	<b>1,081,639,006</b>	<b>1,082,210,005</b>	<b>1,084,721,159</b>	<b>1,104,557,397</b>
<b>Total Noncurrent Assets</b>	<b>1,178,187,419</b>	<b>1,162,457,085</b>	<b>1,153,395,615</b>	<b>1,142,304,066</b>	<b>1,131,540,560</b>	<b>1,126,437,645</b>	<b>1,189,134,511</b>	<b>1,181,955,085</b>	<b>1,182,526,084</b>	<b>1,171,435,811</b>	<b>1,194,032,211</b>
<b>Total Assets</b>	<b>1,247,626,372</b>	<b>1,240,708,600</b>	<b>1,240,678,116</b>	<b>1,247,824,271</b>	<b>1,257,011,965</b>	<b>1,260,224,362</b>	<b>1,348,872,266</b>	<b>1,382,685,827</b>	<b>1,383,256,826</b>	<b>1,419,000,268</b>	<b>1,480,911,081</b>
<b>Deferred Outflow of Resources</b>											
Deferred outflows related to pensions	4,556,240	5,944,107	10,331,047	6,344,967	7,251,776	6,592,095	3,920,112	4,209,382	4,209,382	4,921,504	4,504,473
Deferred outflows related to OPEB		630,915	2,994,036	2,570,546	3,225,882	5,478,761	5,050,769	3,419,239	3,419,239	1,762,848	4,195,869
Deferred loss on refundings	1,993,406	6,681,318	6,362,645	6,049,739	6,535,607	6,594,519	6,048,663	5,526,677	5,526,677	5,010,201	1,144,199
<b>Total Deferred Outflow of Resources</b>	<b>6,549,646</b>	<b>13,256,340</b>	<b>19,687,728</b>	<b>14,965,252</b>	<b>17,013,265</b>	<b>18,665,375</b>	<b>15,019,544</b>	<b>13,155,298</b>	<b>13,155,298</b>	<b>11,694,553</b>	<b>9,844,541</b>
<b>Resources</b>	<b>\$ 1,254,176,018</b>	<b>\$ 1,253,964,940</b>	<b>\$ 1,260,365,844</b>	<b>\$ 1,262,789,523</b>	<b>\$ 1,274,025,230</b>	<b>\$ 1,278,889,737</b>	<b>\$ 1,363,891,810</b>	<b>\$ 1,395,841,125</b>	<b>\$ 1,396,412,124</b>	<b>1,430,694,821</b>	<b>1,490,755,622</b>

**Sanitation District No. 1**

**Statements of Net Position**

Last Ten Fiscal Years

	Fiscal Year										
	2016	2017	2018	2019	2020	2021	2022	2023	(Restated) 2023	2024	2025
<b>Liabilities and Deferred Inflow of Resources</b>											
<b>Current Liabilities</b>											
Bond indebtedness	\$ 12,545,000	\$ 15,234,259	\$ 15,442,759	\$ 12,821,480	\$ 13,556,997	\$ 14,566,789	\$ 17,223,874	\$ 17,447,994	\$ 17,447,994	14,455,000	15,195,000
Notes payable	7,375,823	7,506,790	7,640,534	8,225,469	8,541,534	8,598,656	6,906,485	7,010,321	7,010,321	7,115,893	7,223,229
IT subscription obligation									79,544	167,958	284,115
Accounts payable	4,644,185	6,714,215	5,458,450	7,087,218	7,027,539	8,121,255	11,314,332	10,396,556	10,396,556	10,314,707	18,776,588
Accrued payroll and benefits	967,085	1,031,245	1,053,226	1,081,829	436,851	456,246	550,865	470,892	470,892	535,755	586,996
Accrued interest payable	7,730,150	7,061,301	6,827,681	6,579,611	5,283,707	4,465,892	5,178,222	4,895,954	4,895,954	4,599,566	4,288,326
Accrued taxes and pension	(176)	1,166	3,715	(838)	186,288	175,204	3,269	7,449	7,449	18,072	36,739
Compensated absences	757,155	848,519	837,922	851,424	865,769	941,637	1,031,053	1,148,341	1,148,341	1,136,579	1,250,437
Other liabilities	167,636	142,544	141,785	140,710	97,407	449,938	146,429	365,526	365,526	524,480	743,084
Sales tax payable	(643)	150,286	35,713	30,885	-	7,864	104	1,125	1,125	1,504	214
<b>Total Current Liabilities</b>	<b>34,186,215</b>	<b>38,690,325</b>	<b>37,441,785</b>	<b>36,817,788</b>	<b>35,996,092</b>	<b>37,783,481</b>	<b>42,354,633</b>	<b>41,744,158</b>	<b>41,823,702</b>	<b>38,869,515</b>	<b>48,384,728</b>
<b>Long-Term Liabilities (Net of Current Portion)</b>											
Bond indebtedness	339,745,207	324,620,158	309,177,399	296,338,343	284,191,063	270,459,161	336,789,121	319,341,126	319,341,126	304,886,126	286,469,116
Notes payable	135,506,662	129,217,631	123,770,948	115,910,280	107,208,167	97,498,899	79,709,201	72,698,881	72,698,881	65,582,988	58,359,759
IT subscription obligation									499,509	562,612	730,203
Compensated absences	120,431	48,591	101,960	147,917	280,043	120,500	194,532	161,858	161,858	238,556	128,469
Arbitrage liability						15,322					
Net pension liability	24,340,276	26,833,461	31,661,594	32,157,114	36,394,880	40,366,467	33,129,277	35,539,710	35,539,710	30,352,138	27,051,251
Net OPEB liability	8,529,478	8,529,478	10,874,302	9,374,446	8,702,115	12,705,864	9,945,376	9,702,701	9,702,701	(653,073)	-
<b>Total Long-Term Liabilities, Net</b>	<b>508,242,054</b>	<b>489,249,319</b>	<b>475,586,203</b>	<b>453,928,100</b>	<b>436,776,268</b>	<b>421,166,213</b>	<b>459,767,507</b>	<b>437,444,276</b>	<b>437,943,785</b>	<b>400,969,347</b>	<b>372,738,798</b>
<b>Total Liabilities</b>	<b>542,428,269</b>	<b>527,939,644</b>	<b>513,027,988</b>	<b>490,745,888</b>	<b>472,772,360</b>	<b>458,949,694</b>	<b>502,122,140</b>	<b>479,188,434</b>	<b>479,767,487</b>	<b>439,838,862</b>	<b>421,123,526</b>
<b>Deferred Inflow of Resources</b>											
Deferred inflow related to pensions	-	565,983	3,348,910	1,452,751	1,370,109	285,576	5,037,406	1,674,330	1,674,330	4,783,944	4,340,575
Deferred inflow related to OPEB			569,347	1,998,323	3,408,605	2,435,888	4,887,646	4,194,496	4,194,496	11,128,107	8,245,971
<b>Total Deferred Inflow of Resources</b>	<b>-</b>	<b>565,983</b>	<b>3,918,257</b>	<b>3,451,074</b>	<b>4,778,714</b>	<b>2,721,464</b>	<b>9,925,052</b>	<b>5,868,826</b>	<b>5,868,826</b>	<b>15,912,051</b>	<b>12,586,546</b>
<b>Total Liabilities and Deferred Inflow of Resources</b>	<b>542,428,269</b>	<b>528,505,627</b>	<b>516,946,245</b>	<b>494,196,962</b>	<b>477,551,074</b>	<b>461,671,158</b>	<b>512,047,192</b>	<b>485,057,260</b>	<b>485,636,313</b>	<b>455,750,913</b>	<b>433,710,072</b>
<b>Net Position</b>											
Net investment in capital assets	594,841,332	605,173,140	617,871,122	630,311,143	644,358,510	664,340,118	628,222,347	670,667,360	670,659,306	689,597,032	726,202,945
Restricted for:											
Debt service funds	50,870,334	48,973,964	48,802,255	46,027,233	40,087,219	36,957,143	42,146,734	43,916,657	43,916,657	45,322,658	45,891,487
Operations, infrastructure, and insurance	34,277,222	34,719,619	34,794,202	35,597,695	36,610,450	36,610,653	35,849,797	36,807,970	36,807,970	38,706,887	40,202,982
Capital improvement projects and programs	2,683,670	1,416,270	36,750	933,096	1,475,368	899,153	46,304,227	16,598,745	16,598,745	-	-
Other purposes	949,705	949,968	962,614	982,955	1,211,473	2,560,699	1,537,023	2,534,966	2,534,966	2,305,486	2,261,576
Unrestricted	28,125,486	34,226,352	40,952,656	54,740,439	72,731,136	75,850,813	97,784,490	140,258,167	140,258,167	199,011,845	242,486,560
<b>Total Net Position</b>	<b>711,747,749</b>	<b>725,459,313</b>	<b>743,419,599</b>	<b>768,592,561</b>	<b>796,474,156</b>	<b>817,218,579</b>	<b>851,844,618</b>	<b>910,783,865</b>	<b>910,775,811</b>	<b>974,943,908</b>	<b>1,057,045,550</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 1,254,176,018</b>	<b>\$ 1,253,964,940</b>	<b>\$ 1,260,365,844</b>	<b>\$ 1,262,789,523</b>	<b>\$ 1,274,025,230</b>	<b>\$ 1,278,889,737</b>	<b>\$ 1,363,891,810</b>	<b>\$ 1,395,841,125</b>	<b>\$ 1,396,412,124</b>	<b>1,430,694,821</b>	<b>1,490,755,622</b>

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

	Fiscal Year										
	2016	2017	2018	2019	2020	2021	2022	2023	Restated 2023	2024	2025
<b>Operating Revenues</b>											
Sewer service charges	\$ 75,730,322	\$ 79,746,166	\$ 84,312,915	\$ 88,772,462	\$ 93,494,058	\$ 91,179,985	\$ 99,677,308	\$ 106,289,349	\$ 106,289,349	\$ 113,082,243	\$ 121,299,388
Storm water charges	12,745,499	12,965,299	13,118,077	13,604,462	13,647,164	13,463,003	11,435,609	11,398,256	11,398,256	11,272,252	11,006,985
Permits and tap-in fees	3,566,331	3,848,229	3,501,783	3,791,979	4,312,269	5,901,118	5,236,913	4,996,098	4,996,098	5,320,903	6,074,665
Sludge hauling	101,621	274,630	401,941	914,722	717,245	805,838	686,607	427,678	427,678	609,823	634,577
Inspections	217,454	158,531	173,623	217,307	266,058	231,981	286,223	256,799	256,799	294,588	284,057
Penalties and fines	1,502,174	1,466,407	1,418,173	1,415,881	934,458	619,727	1,264,687	1,880,575	1,880,575	2,585,178	2,108,534
Contractual services	136,592	140,689	160,732	136,004	158,882	163,467	162,126	190,054	190,054	207,227	210,129
Bad debt recoveries	138,003	50,134	25,135	18,823	19,111	11,320	31,796	23,810	23,810	10,402	15,267
Other revenues	297,083	325,918	32,021	84,313	127,903	322,731	106,450	168,828	168,828	89,267	68,141
Project reimbursements	-	-	131,856	61,628	25,516	53,554	53,430	994	994	(43,057)	-
<b>Total Operating Revenues</b>	<b>94,435,079</b>	<b>98,976,003</b>	<b>103,276,256</b>	<b>109,017,581</b>	<b>113,702,664</b>	<b>112,752,724</b>	<b>118,941,149</b>	<b>125,632,441</b>	<b>125,632,441</b>	<b>133,428,827</b>	<b>141,701,743</b>
<b>Operating Expenses</b>											
Operation, maintenance and administration											
Salary and wages	11,657,207	12,215,331	12,102,154	12,142,502	12,660,990	12,385,907	12,341,684	12,014,270	12,014,270	12,302,488	13,119,414
Employee benefit, incentive and tax expenses	7,934,077	8,710,860	7,745,153	7,518,863	7,675,871	8,660,832	8,991,105	9,140,135	9,140,135	8,829,658	8,804,931
Professional and contractual services	6,142,324	6,281,104	5,812,174	5,155,245	5,297,258	4,792,459	4,456,596	4,535,408	4,535,408	4,725,923	5,166,310
Office administration expenses	1,777,837	1,661,077	1,682,284	1,707,261	1,578,958	1,588,707	1,660,245	1,826,433	1,826,433	1,859,939	1,871,804
Utilities, fuel oil and chemicals expense	6,999,416	7,179,355	7,348,041	7,861,165	7,616,315	7,550,673	8,204,540	9,009,386	9,009,386	8,802,375	8,929,502
Vehicle operation expenses	885,648	824,241	847,695	981,150	841,792	844,557	936,292	965,615	965,615	771,915	876,353
Infrastructure, equipment and other expenses	3,192,058	3,104,240	3,333,148	3,334,240	3,777,839	4,024,255	3,851,352	3,603,724	3,603,724	3,573,853	3,649,185
Supplemental/State environmental projects	-	-	-	-	-	-	-	-	-	-	-
Total Operation, maintenance and administration	38,588,567	39,976,208	38,870,649	38,700,426	39,449,023	39,847,390	40,441,814	41,094,971	41,094,971	40,866,151	42,417,499
Major repairs and other	1,720,103	876,520	429,175	1,814,545	2,033,349	881,199	987,956	634,743	634,743	975,294	924,169
Depreciation	39,578,854	39,616,114	39,965,919	40,317,009	40,869,031	40,739,661	40,858,594	41,627,822	41,627,822	41,625,787	41,958,391
<b>Total Operating Expenses</b>	<b>79,887,524</b>	<b>80,468,842</b>	<b>79,265,743</b>	<b>80,831,980</b>	<b>82,351,403</b>	<b>81,468,250</b>	<b>82,288,364</b>	<b>83,357,536</b>	<b>83,357,536</b>	<b>83,467,232</b>	<b>85,300,059</b>
<b>Operating Income</b>	<b>14,547,555</b>	<b>18,507,161</b>	<b>24,010,513</b>	<b>28,185,601</b>	<b>31,351,261</b>	<b>31,284,474</b>	<b>36,652,785</b>	<b>42,274,905</b>	<b>42,274,905</b>	<b>49,961,595</b>	<b>56,401,684</b>

(Continue)

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

	Fiscal Year										
	2016	2017	2018	2019	2020	2021	2022	2023	<i>Restated</i> 2023	2024	2025
<b>Non-Operating Income (Expense)</b>											
Interest income	\$ 906,611	\$ 1,264,451	\$ 1,777,381	\$ 2,917,957	\$ 2,574,891	\$ 1,441,419	\$ 1,394,925	\$ 8,136,428	\$ 8,136,428	\$13,010,283.	\$12,440,761.
Bad Debt - assessment loans receivable					(315,094)	(237,878)					
Arbitrage rebate						(15,322)	15,322				
Interest on long-term debt	(20,096,326)	(16,836,216)	(16,091,496)	(15,675,211)	(12,328,896)	(9,126,897)	(9,391,519)	(9,369,647)	(9,369,647)	(9,007,445)	(8,633,060)
Bond issuance cost	(47,182)	(835,292)	-		(770,627)	(676,043)	(1,323,639)	-	-		
Federal credits on Build America Bonds	3,406,317	3,353,778	3,303,372	3,251,747	1,512,972	332,130	-	-	-		
Families First Coronavirus Response Act credits					150,007	108,184	(258,191)	-	-		
Loss on disposal of capital assets	(407,480)	(160,790)	(202,205)	(264,890)	(229,512)	(12,227,104)	(262,369)	(241,892)	(241,892)	(1,507,156)	(4,990,502)
Net effect of change in pension expense	(1,115,015)	(1,671,301)	(3,224,119)	(2,585,443)	(3,248,315)	(3,546,735)	(186,622)	1,241,913	1,241,913	2,790,080	3,018,620
Net effect of change in OPEB expense		630,915	(551,050)	(352,610)	(82,615)	(778,153)	(119,263)	(695,705)	(695,705)	1,765,770	2,393,624
Net change, fair value of investments	287,462	(655,619)	(603,600)	1,099,877	676,051	(1,075,812)	(3,275,868)	(494,632)	(494,632)	1,297,732	1,382,875
<b>Total Non-Operating Income (Expense)</b>	<b>(17,065,613)</b>	<b>(14,910,074)</b>	<b>(15,591,717)</b>	<b>(11,608,573)</b>	<b>(12,061,138)</b>	<b>(25,802,211)</b>	<b>(13,407,224)</b>	<b>(1,423,535)</b>	<b>(1,423,535)</b>	<b>8,349,264</b>	<b>5,612,318</b>
<b>Change in Net Position Before Capital Contributions</b>	<b>(2,518,058)</b>	<b>3,597,087</b>	<b>8,418,796</b>	<b>16,577,028</b>	<b>19,290,123</b>	<b>5,482,263</b>	<b>23,245,561</b>	<b>40,851,370</b>	<b>40,851,370</b>	<b>58,310,859</b>	<b>62,014,002</b>
<b>Capital Contributions</b>	<b>8,237,866</b>	<b>10,114,478</b>	<b>9,541,489</b>	<b>8,595,935</b>	<b>8,591,472</b>	<b>15,262,160</b>	<b>11,380,478</b>	<b>18,087,877</b>	<b>18,087,877</b>	<b>5,857,238</b>	<b>20,087,640</b>
<i>Restatement</i>									(8,054)		
<b>Change in Net Position</b>	<b>\$ 5,719,808</b>	<b>\$ 13,711,565</b>	<b>\$ 17,960,285</b>	<b>\$ 25,172,963</b>	<b>\$ 27,881,595</b>	<b>\$ 20,744,423</b>	<b>\$ 34,626,039</b>	<b>\$ 58,939,247</b>	<b>\$ 58,931,193</b>	<b>\$ 64,168,097</b>	<b>\$ 82,101,642</b>

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

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Cash Flow from Operating Activities</b>										
Received from customers	\$ 94,695,120	\$ 99,167,545	\$ 103,053,057	\$ 108,825,357	\$ 113,164,387	\$ 114,982,341	\$ 117,743,770	\$ 120,318,713	\$ 134,484,803	\$ 136,094,125
Paid to suppliers for goods and services	(22,866,427)	(17,581,717)	(21,014,142)	(19,265,607)	(21,260,262)	(18,610,081)	(17,320,041)	(21,212,568)	(20,821,156)	(12,348,750)
Paid to or on behalf of employees for services	(18,536,538)	(20,841,173)	(19,780,002)	(19,577,860)	(20,648,246)	(21,122,104)	(21,246,656)	(21,145,585)	(20,991,720)	(21,850,664)
<b>Net Cash Provided by Operating Activities</b>	<b>53,292,155</b>	<b>60,744,655</b>	<b>62,258,913</b>	<b>69,981,890</b>	<b>71,255,879</b>	<b>75,250,156</b>	<b>79,177,073</b>	<b>77,960,560</b>	<b>92,671,927</b>	<b>101,894,711</b>
<b>Cash Flows from Capital and Related Financing Activities</b>										
Principal received on notes and bonds	2,355,212	1,217,757	2,193,852	585,651			83,210,428	-		
Federal credits on Build America Bonds	3,406,316	3,353,778	3,303,372	3,251,747	1,512,972	332,130				
Cash received from sale of assets	22,420	229,710	62,010	17,359	71,578	67,429	143,739	259,000	199,970	302,788
Bond issuance costs	-	(835,292)								
Payments made on long term debt	(19,298,744)	(160,275,821)	(20,001,791)	(20,841,384)	(18,921,048)	(20,012,146)	(30,921,868)	(19,986,485)	(20,760,321)	(21,570,893)
Proceeds on bond refunding		141,450,636								
Interest paid	(20,872,047)	(20,847,960)	(13,267,184)	(18,090,710)	(15,758,059)	(13,045,765)	(12,240,348)	(13,273,803)	(12,485,352)	(11,660,583)
Acquisition and construction of capital assets	(16,603,198)	(16,824,092)	(23,158,102)	(22,020,182)	(26,342,337)	(35,320,474)	(43,817,484)	(42,877,479)	(39,835,314)	(47,000,277)
Principal received on assessments		59,266	66,927	53,566	55,631	56,615	46,528	36,624	78,120	44,060
Assessment interest income		39,804	38,247	37,599	34,504	32,380	30,350	29,560	29,493	28,434
(Increase)/decrease in restricted funds	(319,435)									
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>(51,309,476)</b>	<b>(52,432,214)</b>	<b>(50,762,669)</b>	<b>(57,006,354)</b>	<b>(59,346,759)</b>	<b>(67,889,831)</b>	<b>(3,548,655)</b>	<b>(75,812,583)</b>	<b>(72,773,403)</b>	<b>(79,856,471)</b>
<b>Cash Flows From Non-Capital and Related Financing Activities</b>										
Families First Coronavirus Response Act credits					150,007	108,184	(258,191)	-	-	-
<b>Cash Flows from Investing Activities</b>										
Investment income	906,398	345,624	782,270	1,590,001	2,610,940	1,465,723	1,362,593	7,935,744	12,713,710	12,395,724
Proceeds from sale of investments		5,312,777	16,829,301	21,604,760	43,139,947	37,206,476	24,498,798	34,420,164	35,686,493	40,532,557
Purchase of investments		(6,175,715)	(21,865,151)	(17,243,471)	(37,609,555)	(51,675,134)	(29,493,727)	(37,296,661)	(37,985,597)	(42,150,895)
Net (increase)/decrease on investments	27,103									
<b>Net Cash (Used) Provided by Investing Activities</b>	<b>933,501</b>	<b>(517,314)</b>	<b>(4,253,580)</b>	<b>5,951,290</b>	<b>8,141,332</b>	<b>(13,002,935)</b>	<b>(3,632,336)</b>	<b>5,059,247</b>	<b>10,414,606</b>	<b>10,777,386</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>2,916,180</b>	<b>7,795,127</b>	<b>7,242,664</b>	<b>18,926,826</b>	<b>20,200,459</b>	<b>(5,534,426)</b>	<b>71,737,891</b>	<b>7,207,224</b>	<b>30,313,130</b>	<b>32,815,626</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>45,848,277</b>	<b>48,764,457</b>	<b>56,559,584</b>	<b>63,802,248</b>	<b>82,729,074</b>	<b>102,929,533</b>	<b>97,395,107</b>	<b>169,132,998</b>	<b>176,340,222</b>	<b>206,653,352</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 48,764,457</b>	<b>\$ 56,559,584</b>	<b>\$ 63,802,248</b>	<b>\$ 82,729,074</b>	<b>\$ 102,929,533</b>	<b>\$ 97,395,107</b>	<b>\$ 169,132,998</b>	<b>\$ 176,340,222</b>	<b>\$ 206,653,352</b>	<b>\$ 239,468,978</b>

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

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Capital Assets Not Depreciated</b>										
Land	\$ 15,125,674	\$ 15,278,071	\$ 15,567,591	\$ 16,310,617	\$ 16,961,694	\$ 17,402,057	\$ 17,709,851	\$ 18,158,887	\$ 18,282,013	\$ 18,216,209
Construction in progress	8,984,555	8,445,318	13,592,546	15,080,010	11,453,397	25,454,128	52,314,366	49,870,454	63,692,615	82,378,000
<b>Total Capital Assets Not Depreciated</b>	<b>24,110,229</b>	<b>23,723,389</b>	<b>29,160,137</b>	<b>31,390,627</b>	<b>28,415,091</b>	<b>42,856,185</b>	<b>70,024,217</b>	<b>68,029,341</b>	<b>81,974,628</b>	<b>100,594,209</b>
<b>Depreciable Capital Assets</b>										
Land improvements	3,249,751	3,986,902	4,271,907	4,615,156	4,713,013	4,922,743	4,961,377	6,505,272	6,505,272	6,585,898
Collection system	679,709,357	693,385,908	705,609,183	718,449,853	739,639,821	756,132,277	769,033,165	808,605,070	819,717,890	841,906,524
Pumping system	97,798,125	98,210,442	98,977,593	101,489,975	103,233,051	104,239,942	105,532,123	106,638,449	110,429,261	115,307,962
Treatment and disposal	263,994,437	264,269,368	264,661,708	264,780,931	265,719,629	269,688,692	271,578,555	278,454,472	279,869,117	281,550,812
General buildings and structures	30,028,238	30,028,238	30,096,796	30,096,796	30,100,161	30,085,010	30,092,148	30,070,194	30,074,955	30,542,170
Office furniture and equipment	7,571,419	7,742,850	7,842,167	8,023,896	8,364,515	8,625,567	9,334,036	9,516,643	9,886,132	10,250,462
Vehicles and accessories	9,753,125	8,852,228	8,731,079	8,730,255	8,564,107	8,431,221	8,343,619	8,457,462	8,168,661	8,234,013
Machinery and equipment	5,538,344	5,391,878	5,668,102	5,646,769	5,797,122	6,009,775	5,968,755	6,019,228	6,193,052	6,493,947
Software model development	15,908,869	15,908,869	15,908,869	15,908,869	15,908,869	15,908,869	15,908,869	-	-	-
Subscription based assets								-	1,064,176	1,633,693
<b>Total Depreciable Capital Assets</b>	<b>1,113,551,665</b>	<b>1,127,776,683</b>	<b>1,141,767,404</b>	<b>1,157,742,500</b>	<b>1,182,040,288</b>	<b>1,204,044,096</b>	<b>1,220,752,647</b>	<b>1,254,266,790</b>	<b>1,271,908,516</b>	<b>1,302,505,481</b>
<b>Total Capital Assets</b>	<b>#####</b>	<b>\$ 1,151,500,072</b>	<b>\$ 1,170,927,541</b>	<b>\$ 1,189,133,127</b>	<b>\$ 1,210,455,379</b>	<b>\$ 1,246,900,281</b>	<b>\$ 1,290,776,864</b>	<b>\$ 1,322,296,131</b>	<b>\$ 1,353,883,144</b>	<b>\$ 1,403,099,690</b>
<b>Less Accumulated Depreciation</b>										
Land improvements	\$ (1,724,145)	\$ (1,786,574)	\$ (1,891,584)	\$ (1,883,872)	\$ (2,000,452)	\$ (2,125,415)	\$ (2,257,304)	\$ (2,438,747)	\$ (2,669,877)	\$ (2,896,432)
Collection system	(165,176,207)	(178,628,652)	(192,159,290)	(206,011,244)	(219,757,337)	(235,227,390)	(250,062,841)	(265,770,432)	(280,959,840)	(297,463,618)
Pumping system	(41,952,508)	(46,447,420)	(50,812,132)	(54,114,514)	(57,845,783)	(61,582,715)	(65,483,919)	(68,714,463)	(71,350,877)	(73,089,492)
Treatment and disposal	(76,142,502)	(82,018,599)	(87,806,209)	(93,749,800)	(99,556,707)	(103,789,803)	(109,786,624)	(115,362,813)	(120,699,460)	(126,130,110)
General buildings and structures	(15,039,381)	(15,541,233)	(16,065,913)	(16,571,791)	(17,077,663)	(17,545,419)	(17,969,489)	(18,381,386)	(18,796,208)	(19,081,417)
Office furniture and equipment	(6,211,401)	(6,447,209)	(6,583,159)	(6,861,416)	(7,167,782)	(7,505,979)	(7,354,678)	(7,840,647)	(8,360,285)	(8,857,220)
Vehicles and accessories	(8,894,194)	(8,398,025)	(8,474,171)	(8,521,785)	(8,376,339)	(8,052,533)	(7,814,880)	(7,042,285)	(5,827,364)	(5,931,421)
Machinery and equipment	(4,041,980)	(3,972,588)	(4,178,933)	(4,345,320)	(4,547,483)	(4,840,199)	(5,012,327)	(4,864,425)	(5,039,179)	(5,197,131)
Software model development	(15,908,869)	(15,908,869)	(15,908,869)	(15,908,869)	(15,908,869)	(15,908,869)	(15,908,869)	-	-	-
Subscription based assets								-	(342,344)	(622,808)
<b>Total Accumulated Depreciation</b>	<b>(335,091,187)</b>	<b>(359,149,169)</b>	<b>(383,880,260)</b>	<b>(407,968,611)</b>	<b>(432,238,415)</b>	<b>(456,578,322)</b>	<b>(481,650,931)</b>	<b>(490,415,198)</b>	<b>(514,045,434)</b>	<b>(539,269,649)</b>
<b>Total Capital Assets, Net</b>	<b>\$ 802,570,707</b>	<b>\$ 792,350,903</b>	<b>\$ 787,047,281</b>	<b>\$ 781,164,516</b>	<b>\$ 778,216,964</b>	<b>\$ 790,321,959</b>	<b>\$ 809,125,933</b>	<b>\$ 831,880,933</b>	<b>\$ 839,837,710</b>	<b>\$ 863,830,041</b>

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

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Capital Assets Not Depreciated</b>										
Land	\$ 720,023	\$ 861,938	\$ 1,013,259	\$ 1,238,152	\$ 1,617,026	\$ 1,819,960	\$ 1,832,610	\$ 2,055,881	\$ 2,133,292	\$ 2,236,792
Construction in progress	2,460,077	3,469,292	4,716,610	2,350,521	698,175	1,973,219	1,401,418	819,812	4,235,149	4,989,686
<b>Total Capital Assets Not Depreciated</b>	<b>3,180,100</b>	<b>4,331,230</b>	<b>5,729,869</b>	<b>3,588,673</b>	<b>2,315,201</b>	<b>3,793,179</b>	<b>3,234,028</b>	<b>2,875,693</b>	<b>6,368,441</b>	<b>7,226,478</b>
<b>Depreciable Capital Assets</b>										
Storm water collection system	366,212,311	375,456,019	385,148,489	396,792,114	408,493,635	399,415,401	408,831,048	419,296,877	424,494,065	433,358,234
Vehicles and accessories	52,499	83,853	109,944	109,944	109,944	169,295	169,295	169,295	168,099	168,099
Machinery and equipment	74,201	103,041	116,881	126,577	136,510	141,827	141,827	147,887	154,109	161,489
Software model development	5,645,160	5,645,160	5,645,160	5,645,160	5,645,160	5,645,160	5,645,160	-	-	-
<b>Total Depreciable Capital Assets</b>	<b>371,984,171</b>	<b>381,288,073</b>	<b>391,020,474</b>	<b>402,673,795</b>	<b>414,385,249</b>	<b>405,371,683</b>	<b>414,787,330</b>	<b>419,614,059</b>	<b>424,816,273</b>	<b>433,687,822</b>
<b>Total Capital Assets</b>	<b>\$ 375,164,271</b>	<b>\$ 385,619,303</b>	<b>\$ 396,750,343</b>	<b>\$ 406,262,468</b>	<b>\$ 416,700,450</b>	<b>\$ 409,164,862</b>	<b>\$ 418,021,358</b>	<b>\$ 422,489,752</b>	<b>\$ 431,184,714</b>	<b>\$ 440,914,300</b>
<b>Less Accumulated Depreciation</b>										
Storm water collection system	\$ (84,020,968)	\$ (97,132,324)	\$ (110,471,189)	\$ (124,065,774)	\$ (137,776,024)	\$ (144,717,810)	\$ (158,427,380)	\$ (172,443,965)	\$ (186,002,565)	\$ (199,879,495)
Vehicles and accessories	(31,224)	(73,072)	(82,932)	(89,424)	(93,159)	(156,234)	(159,958)	(163,682)	(166,222)	(168,099)
Machinery and equipment	(17,008)	(48,990)	(58,226)	(69,650)	(82,407)	(98,513)	(112,428)	(124,032)	(132,479)	(139,746)
Software model development	(5,645,160)	(5,645,160)	(5,645,160)	(5,645,160)	(5,645,160)	(5,645,160)	(5,645,160)	-	-	-
<b>Total Accumulated Depreciation</b>	<b>(89,714,360)</b>	<b>(102,899,546)</b>	<b>(116,257,507)</b>	<b>(129,870,008)</b>	<b>(143,596,750)</b>	<b>(150,617,717)</b>	<b>(164,344,926)</b>	<b>(172,731,679)</b>	<b>(186,301,266)</b>	<b>(200,187,340)</b>
<b>Total Capital Assets, Net</b>	<b>\$ 285,449,911</b>	<b>\$ 282,719,757</b>	<b>\$ 280,492,836</b>	<b>\$ 276,392,460</b>	<b>\$ 273,103,700</b>	<b>\$ 258,547,145</b>	<b>\$ 253,676,432</b>	<b>\$ 249,758,073</b>	<b>\$ 244,883,448</b>	<b>\$ 240,726,960</b>

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

	Fiscal Year																			
	2016		2017		2018		2019		2020		2021		2022		2023		2024		2025	
	Rate	% Change	Rate	% Change	Rate	% Change	Rate	% Change	Rate	% Change	Rate	% Change	Rate	% Change	Rate	% Change	Rate	% Change	Rate	% Change
<b>Non-Residential (1)</b>																				
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		\$26.00		\$34.00	31%
300-500	n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a		\$ 8.18		\$ 6.30	-23%
0-1,700 (600-1700 FY24+)	\$ 7.02	0%	\$ 7.37	5%	\$ 7.73	5%	\$ 8.11	5%	\$ 8.51	5%	\$ 8.51	0%	\$ 8.93	5%	\$ 9.37	5%	\$ 9.70	4%	\$10.18	5%
1,701-8,400	\$ 6.30	0%	\$ 6.61	5%	\$ 6.94	5%	\$ 7.28	5%	\$ 7.64	5%	\$ 7.64	0%	\$ 8.02	5%	\$ 8.42	5%	\$ 8.85	5%	\$ 9.29	5%
Over 8,400	\$ 4.88	0%	\$ 5.12	5%	\$ 5.37	5%	\$ 5.63	5%	\$ 5.91	5%	\$ 5.91	0%	\$ 6.20	5%	\$ 6.51	5%	\$ 6.83	5%	\$ 7.71	13%
Monthly minimum bill	\$14.04	0%	\$14.74	5%	\$15.46	5%	\$16.22	5%	\$17.02	5%	\$17.02	0%	\$17.86	5%	\$18.74	5%	\$26.00	39%	\$34.00	31%
<b>Residential (2)</b>																				
Water Usage																				
in 100 Cubic Feet (HCF)																				
Base Rate	n/a		n/a		n/a		n/a		\$16.00		\$19.00	19%	\$23.00	21%	\$26.00	13%	\$30.00	30%	\$34.00	31%
Variable Rate	n/a		n/a		n/a		n/a		\$ 7.25		\$ 6.05	-17%	\$ 5.24	-13%	\$ 4.72	-10%	\$ 4.18	-20%	\$ 3.63	-23%
Environmental Surcharge	n/a		n/a		n/a		n/a		\$ 5.00		\$ 6.00	20%	\$ 7.00	17%	\$ 8.00	14%	\$ 8.00	14%	\$ 8.00	0%
Flat rate per 100 Cubic Feet (HCF)	\$ 7.02	0%	\$ 7.37	5%	\$ 7.73	5%	\$ 8.11	5%	n/a											
Monthly minimum bill	\$14.04	0%	\$14.74	5%	\$15.46	5%	\$16.22	5%	\$21.00	29%	\$25.00	19%	\$30.00	20%	\$34.00	13%	\$38.00	27%	\$42.00	24%
<b>Unmetered Service</b>																				
1 or 2 room house	\$21.00	0%	\$22.05	5%	\$23.15	5%	\$24.30	5%	\$25.51	5%	\$25.51	0%	\$26.78	5%	\$28.11	5%	\$29.50	10%	\$30.97	10%
3 to 6 room house	\$34.48	0%	\$36.20	5%	\$38.01	5%	\$39.91	5%	\$41.90	5%	\$41.90	0%	\$43.99	5%	46.18	5%	\$46.18	5%	\$46.18	0%
More than 6 rooms	\$45.60	0%	\$47.88	5%	\$50.27	5%	\$52.78	5%	\$55.41	5%	\$55.41	0%	\$58.18	5%	61.08	5%	\$61.08	5%	\$61.08	0%

**Effective with Fiscal Year 2024 SD1 implemented a new rate structure for non-residential customers**

(1) Base rate includes the first 2 hundred cubic feet (HCF) of wastewater treatment.  
Based on monthly metered water usage.

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

(2) Base rate includes the first 2 hundred cubic feet (HCF) of wastewater treatment.  
Variable rate is based on a *Winter Usage Factor* for every additional HCF of wastewater treatment above 2 HCF.  
Environmental Surcharge fee is to help fund the overflow mitigation program required under the federal Clean Water Act. This fee will disappear when SD1's overflow mitigation program is complete.

*Winter Usage Factor* - Based on metered water usage during November 1st through April 30th.

Source: SD1 accounting records

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

	Fiscal Year									
	2021		2022		2023		2024		2025	
Monthly Rate Per ERU:	\$ 5.04	0.0%	\$ 4.54	-9.9%	\$ 4.54	0.0%	\$ 4.31	-5.1%	\$ 4.10	-4.9%
Quarterly Rate Per ERU:	\$ 15.12	0.0%	\$ 13.62	-9.9%	\$ 13.62	0.0%	\$ 12.93	-5.1%	\$ 12.30	-4.9%

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

Source: SD1 accounting records

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

Account Name	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Sewer Service Revenues</b>										
Residential Class	\$ 42,189,429	\$ 44,543,360	\$ 46,921,754	\$ 49,511,050	\$ 51,353,121	\$ 51,654,216	\$ 55,788,397	\$ 58,928,688	\$ 62,074,217	\$ 51,776,801
Non-Residential Class	32,478,944	34,499,155	35,937,824	37,565,671	39,809,737	37,469,079	41,725,300	44,606,135	47,604,592	65,657,147
Less: Special Meter Refunds	<u>(549,176)</u>	<u>(553,822)</u>	<u>(377,293)</u>	<u>(486,906)</u>	<u>(410,613)</u>	<u>(419,459)</u>	<u>(242,933)</u>	<u>(354,746)</u>	<u>(279,597)</u>	<u>(45,937)</u>
<b>Total Sewer Revenues</b>	<b>\$ 74,119,197</b>	<b>\$ 78,488,693</b>	<b>\$ 82,482,286</b>	<b>\$ 86,589,815</b>	<b>\$ 90,752,245</b>	<b>\$ 88,703,836</b>	<b>\$ 97,270,764</b>	<b>\$ 103,180,076</b>	<b>\$ 109,399,212</b>	<b>\$ 117,388,012</b>
<b>Sewer Service Penalties</b>										
Residential Class	\$ 1,076,486	\$ 1,042,725	\$ 998,859	\$ 993,641	\$ 629,083	\$ 374,830	\$ 807,426	\$ 1,272,737	\$ 1,330,187	\$ 1,401,953
Non-Residential Class	230,315	246,169	238,989	226,913	183,069	134,642	292,865	362,304	421,372	494,000
<b>Total Sewer Service Penalties</b>	<b>\$ 1,306,801</b>	<b>\$ 1,288,894</b>	<b>\$ 1,237,848</b>	<b>\$ 1,220,554</b>	<b>\$ 812,152</b>	<b>\$ 509,473</b>	<b>\$ 1,100,291</b>	<b>\$ 1,635,041</b>	<b>\$ 1,751,559</b>	<b>\$ 1,895,953</b>
<b>Total Sewer Service Write Offs</b>	<b>\$ (1,213,562)</b>	<b>\$ (1,087,236)</b>	<b>\$ (986,232)</b>	<b>\$ (524,209)</b>	<b>\$ (520,941)</b>	<b>\$ (797,836)</b>	<b>\$ (715,656)</b>	<b>\$ (779,628)</b>	<b>\$ (829,536)</b>	<b>\$ (740,560)</b>
<b>Percentage of Write Off's to Revenues &amp; Penalties Billed</b>	<b>1.61%</b>	<b>1.36%</b>	<b>1.18%</b>	<b>0.60%</b>	<b>0.57%</b>	<b>0.89%</b>	<b>0.73%</b>	<b>0.74%</b>	<b>0.75%</b>	<b>0.62%</b>
<b>Net Sewer Service Revenues</b>	<b>\$ 74,212,436</b>	<b>\$ 78,690,351</b>	<b>\$ 82,733,902</b>	<b>\$ 87,286,160</b>	<b>\$ 91,043,457</b>	<b>\$ 88,415,473</b>	<b>\$ 97,655,400</b>	<b>\$ 104,035,489</b>	<b>\$ 110,321,235</b>	<b>\$ 118,543,405</b>
<b>Storm Water Revenues</b>										
Residential Class	\$ 5,239,075	\$ 5,293,698	\$ 5,362,028	\$ 5,359,996	\$ 5,387,240	\$ 5,176,372	\$ 4,287,452	\$ 4,292,911	\$ 4,159,000	\$ 3,991,926
Non-Residential Class	7,643,149	7,816,638	8,021,471	8,345,718	8,422,645	8,404,682	7,334,969	7,277,172	7,223,734	7,070,473
<b>Total Storm Water Revenues</b>	<b>\$ 12,882,224</b>	<b>\$ 13,110,336</b>	<b>\$ 13,383,500</b>	<b>\$ 13,705,714</b>	<b>\$ 13,809,886</b>	<b>\$ 13,581,053</b>	<b>\$ 11,622,421</b>	<b>\$ 11,570,083</b>	<b>\$ 11,382,734</b>	<b>\$ 11,062,399</b>
<b>Storm Water Service Penalties</b>										
Residential Class	\$ 107,938	\$ 102,673	\$ 90,571	\$ 87,868	\$ 50,376	\$ 32,211	\$ 50,762	\$ 78,533	\$ 73,520	\$ 71,301
Non-Residential Class	72,686	67,540	70,708	84,809	58,180	64,294	96,635	148,252	121,099	110,030
<b>Total Sewer Service Penalties</b>	<b>\$ 180,624</b>	<b>\$ 170,213</b>	<b>\$ 161,279</b>	<b>\$ 172,677</b>	<b>\$ 108,556</b>	<b>\$ 96,505</b>	<b>\$ 147,396</b>	<b>\$ 226,784</b>	<b>\$ 194,619</b>	<b>\$ 181,331</b>
<b>Total Storm Water Write Offs</b>	<b>\$ (136,726)</b>	<b>\$ (145,039)</b>	<b>\$ (265,423)</b>	<b>\$ (101,252)</b>	<b>\$ (162,722)</b>	<b>\$ (118,050)</b>	<b>\$ (186,812)</b>	<b>\$ (171,827)</b>	<b>\$ (110,481)</b>	<b>\$ (55,415)</b>
<b>Percentage of Write Off's to Revenues &amp; Penalties Billed</b>	<b>1.05%</b>	<b>1.09%</b>	<b>1.96%</b>	<b>0.73%</b>	<b>1.17%</b>	<b>0.86%</b>	<b>1.59%</b>	<b>1.46%</b>	<b>0.95%</b>	<b>0.49%</b>
<b>Net Storm Water Revenues</b>	<b>\$ 12,926,122</b>	<b>\$ 13,135,510</b>	<b>\$ 13,279,356</b>	<b>\$ 13,777,139</b>	<b>\$ 13,755,720</b>	<b>\$ 13,559,509</b>	<b>\$ 11,583,006</b>	<b>\$ 11,625,040</b>	<b>\$ 11,466,871</b>	<b>\$ 11,188,316</b>
<b>Customer Accounts</b>										
<b>Sewer Service Accounts Estimates</b>										
Residential Class	94,821	95,438	96,299	97,138	98,056	99,196	100,241	101,585	102,638	103,681
Non-Residential Class	9,679	10,059	10,311	10,255	10,326	10,432	10,549	10,265	10,230	10,199
<b>Total Sewer Accounts</b>	<b>104,500</b>	<b>105,497</b>	<b>106,610</b>	<b>107,393</b>	<b>108,382</b>	<b>109,628</b>	<b>110,790</b>	<b>111,850</b>	<b>112,868</b>	<b>113,880</b>
<b>Storm Water Accounts Estimates</b>										
Residential Class	87,100	87,855	89,583	88,906	89,416	87,187	78,998	80,002	81,137	81,397
Non-Residential Class	7,558	7,900	8,364	8,398	8,443	8,359	6,391	6,160	6,128	3,142
<b>Total Storm Water Accounts</b>	<b>94,658</b>	<b>95,755</b>	<b>97,947</b>	<b>97,304</b>	<b>97,859</b>	<b>95,546</b>	<b>85,389</b>	<b>86,162</b>	<b>87,265</b>	<b>84,539</b>

Source: SD1 billing registers

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

Account Name	2016		2017		2018		2019		2020		2021		2022		2023		2024		2025	
	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount
Lyons-Magnus	1	\$ 1,615,030	2	\$ 1,100,900	1	\$ 1,152,207	2	\$ 975,274	1	\$ 1,834,016	1	\$ 1,958,836	1	\$ 1,915,285	1	\$ 3,182,784	1	\$ 2,809,606	1	\$ 3,112,032
Taylor Farms Tennessee, Inc.	2	1,088,042	3	975,106	4	925,591	3	899,723	4	913,731	4	944,184	4	1,167,866	4	1,086,251	2	1,902,238	2	1,973,563
Sara Lee Foods	3	972,766	4	922,489	3	1,046,087	4	820,839	2	1,193,740	2	1,379,545	2	1,287,758	2	1,375,919	3	1,352,793	3	1,539,783
Tastemaker	4	958,373	1	1,107,495	2	1,091,896	1	983,493	3	1,017,355	3	1,042,327	3	1,253,224	3	1,251,352	4	1,337,309	4	1,337,802
Kenton County Airport	5	608,236	5	611,417	5	666,115	6	760,076	6	824,002	8	497,381	6	931,068	7	732,161	5	909,151	5	992,165
Wild Flavors, Inc.	10	349,419	10	441,625	9	375,782	9	513,509	8	602,157	6	601,659	7	702,785	6	777,836	7	799,615	6	976,656
Safran Landing Systems, KY	NR	-	NR	-	14	238,572	5	774,173	5	855,962	9	480,921	5	1,003,332	5	979,287	10	555,521	7	886,566
L'Oréal USA Florence	8	419,843	9	443,709	6	523,746	8	529,862	12	340,203	12	228,870	11	317,968	10	394,259	6	801,020	8	854,739
Global Supply Chain	6	497,523	11	317,909	11	348,313	11	353,557	11	417,505	10	339,876	10	445,833	9	510,201	9	609,175	9	770,647
St. Elizabeth Medical Center	11	226,020	7	472,598	7	463,810	10	490,723	9	510,158	7	510,087	9	463,411	8	649,841	8	670,789	10	624,788
Northern KY University	7	475,052	8	454,166	8	400,505	13	271,365	10	441,853	14	151,179	13	241,868	11	311,924	11	297,033	11	481,355
Environmental Services Inc.	23	45,696	20	59,588	10	353,896	7	655,455	7	607,546	5	723,442	8	587,511	16	139,309	12	286,667	12	331,588
Van Melle USA, Inc.	18	88,321	19	65,020	18	108,688	17	114,609	16	120,306	18	98,249	19	103,131	14	171,177	15	151,333	13	285,721
Northern KY Water District	21	53,282	21	54,064	24	43,569	22	58,060	18	85,488	19	96,493	21	74,948	21	98,099	22	62,862	14	250,849
A.O. Smith	12	160,920	13	240,921	15	212,042	14	188,992	14	196,030	13	198,737	14	179,880	13	219,462	13	267,902	15	249,135
Camco Chemical Company	15	146,778	12	265,518	13	281,930	12	281,680	13	268,111	11	235,924	12	272,289	12	253,464	14	239,521	16	199,211
Klosterman Bakery	NR	-	NR	-	NR	-	NR	-	NR	-	27	28,981	16	140,348	15	147,611	16	131,200	17	162,346
Ferrara Snacks LLC	20	63,396	18	69,171	20	84,862	20	88,804	20	70,837	20	87,694	20	77,195	20	115,615	19	103,327	18	156,956
Aristech Acrylics LLC	16	118,494	15	127,129	17	123,776	15	129,510	15	125,624	15	140,428	15	143,621	18	122,130	17	128,634	19	156,049
Diversey Inc.	NR	-	NR	-	NR	-	NR	-	NR	-	NR	-	NR	-	NR	-	25	32,415	20	112,370
IOFINA Chemical Inc.	22	49,986	22	44,076	22	47,347	25	42,543	23	43,710	23	47,208	24	55,795	22	66,934	23	55,871	21	75,271
Bluegrass Quality Meats	13	159,854	14	147,238	16	158,787	16	120,384	17	115,548	16	129,291	18	111,799	19	119,173	20	98,943	22	73,965
Duro Paper Bag	24	44,801	25	37,309	26	34,592	23	45,739	22	43,828	22	48,070	23	59,692	23	63,317	21	72,765	23	68,437
Domino's National Comm.	30	10,702	27	24,914	23	45,856	24	42,974	25	43,200	24	41,832	25	40,766	24	40,145	24	54,202	24	59,204
White Castle Distributing, Inc.	14	148,104	16	114,072	19	105,799	18	93,125	19	81,693	17	98,572	17	132,336	17	125,705	18	106,061	25	24,217
Highway Transport Chemical LLC	28	17,279	28	22,488	28	21,848	28	24,843	29	18,723	29	22,446	28	17,506	28	20,237	27	19,555	26	17,308
Amazon Services LLC	NR	-	NR	-	NR	-	NR	-	NR	-	NR	-	NR	-	26	21,829	28	18,667	27	17,018
Signode Plastic Recycling	17	112,122	23	42,269	29	17,557	21	76,299	21	62,733	26	30,967	33	5,349	33	5,349	35	3,702	28	17,000
Newly Weds Foods	NR	-	NR	-	NR	1,733	30	13,318	26	42,056	21	66,744	22	62,301	27	20,466	26	23,388	29	16,704
Savannah Foods & Industries	27	22,482	26	29,636	27	22,984	27	27,956	28	24,064	28	22,740	27	19,468	25	23,221	29	15,151	30	11,417

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

Company Name	Type of Business	Company Name	Type of Business
A.O. Smith	Protective coatings for appliances, automotive and metallurgical markets divisions.	Lyons-Magnus	Develops and markets quality juices and food products.
Amazon Services LLC	Air Hub and Distribution Center.	Messier Bugatti / A. Carb, LLC	Aircraft wheels and carbon brakes facility.
Amer/Pride-WPS Energy Service	Uniforms, towels and linen sales, rentals and services. Restroom and floor care products.	Newly Wed Foods	Food Ingredients Processing
Aristech Acrylics LLC	Produces continuous cast acrylic sheet products for solid surface bath, marine and funeral industries	Northern KY University	Metropolitan State University with more than 16,000 Students.
Boge Rubber & Plastics	Lightweight auto Components Producer	Northern KY Water District	Water supply Utility for Kenton and Campbell Counties.
Bluegrass Quality Meats	Deil and packaged meat plant.	Safran Landing Systems	Aircraft Landing and braking systems.
Camco Chemical Company	Contract Packaging and Chemical Manufacturer.	Sara Lee Foods	Meat and meat products processor.
Diversey Inc.	Global Leader in Cleaning & Personal Care Products	Savannah Foods & Industries	Bulk sugar refinery.
Domino's National Comm.	Pizza dough distribution center.	Signode Plastic Recycling	Manufacturer and distributor of protective packaging systems.
Duro Paper Bag	Largest paper bag manufacturer in the world.	St. Elizabeth Medical Center	General medicine and surgical hospital.
Environmental Services Inc.	Ultra Environmental Services Inc. - Liquid waste collection and disposal.	Tastemaker	Givaudan Flavors - Swiss manufacturer of flavorings and fragrances.
Ferra Snacks LLC	Kellogg's - Cookie and cracker manufacturer.	Taylor Farms Tennessee, Inc.	Producer of fresh cut produce.
Global Supply Chain	Schwan's - Produces Freshcetta & other pizza products.	Tressa Inc.	Hair care product manufacturing including shampoos.
Highway Transport Chemical LLC	Tanker truck washing facility.	Van Melle USA, Inc.	Perfetti Van Melle-Manufactures variety of confectionery items including flavored gums and Airheads brand fruit chews.
IOFINA Chemical Inc.	Production of Iodine, Iodine Specialty chemical derivatives, produced water and natural gas.	White Castle Distributing, Inc.	Markets and distributes frozen and microwavable hamburgers.
Kenton County Airport	Greater Cincinnati Northern Kentucky International Airport (CVG)	Wild Flavors, Inc.	Produces natural flavors and ingredients for the beverage industry.
L'Oréal USA Florence	Produces shampoos, conditioners & styling products.		

Source: SD1 billing records/invoices

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

**Fiscal Year**

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>System Revenues</b>										
Total Operating Revenues	\$ 94,435,079	\$ 98,976,003	\$ 103,276,256	\$ 109,017,581	\$ 113,702,664	\$ 112,752,724	\$ 118,941,149	\$ 125,632,441	\$ 133,428,827	\$ 141,701,743
Total Non-Operating Revenues	4,312,928	4,618,229	5,080,753	6,169,704	4,237,870	1,881,733	1,136,734	8,136,428	13,010,283	12,440,761
<b>Total System Revenues</b>	<b>\$ 98,748,007</b>	<b>\$ 103,594,232</b>	<b>\$ 108,357,009</b>	<b>\$ 115,187,285</b>	<b>\$ 117,940,534</b>	<b>\$ 114,634,457</b>	<b>\$ 120,077,883</b>	<b>\$ 133,768,869</b>	<b>\$ 146,439,110</b>	<b>\$ 154,142,504</b>
<b>Operating Expenses</b>										
<b>Operation, Maintenance and Administration</b>										
Salary Expense	11,657,207	12,215,331	12,102,154	12,142,502	12,660,990	12,385,907	12,341,684	12,014,270	12,302,488	13,119,414
Employee Benefit, Incentive and Tax Expenses	7,934,077	8,710,860	7,745,153	7,518,863	7,675,871	8,660,832	8,991,105	9,140,135	8,829,658	8,804,931
Professional and Contractual Services	6,142,324	6,281,104	5,812,174	5,155,245	5,297,258	4,792,459	4,456,596	4,535,408	4,725,923	5,166,310
Office Administration Expenses	1,777,837	1,661,077	1,682,284	1,707,261	1,578,958	1,588,707	1,660,245	1,826,433	1,859,939	1,871,804
Utilities, Fuel Oil and Chemical Expenses	6,999,416	7,179,355	7,348,041	7,861,165	7,616,315	7,550,673	8,204,540	9,009,386	8,802,375	8,929,502
Vehicle Operation Expenses	885,648	824,241	847,695	981,150	841,792	844,557	936,292	965,615	771,915	876,353
Infrastructure, Equipment and Other Expenses	3,192,058	3,104,240	3,333,148	3,334,240	3,777,839	4,024,255	3,851,352	3,603,724	3,573,853	3,649,185
Supplemental / State Environmental Projects	-	-	-	-	-	-	-	-	-	-
Other Expenses	-	-	-	-	-	-	-	-	-	-
<b>Total Operation, Maintenance and Administration</b>	<b>\$ 38,588,567</b>	<b>\$ 39,976,208</b>	<b>\$ 38,870,649</b>	<b>\$ 38,700,426</b>	<b>\$ 39,449,023</b>	<b>\$ 39,847,390</b>	<b>\$ 40,441,814</b>	<b>\$ 41,094,971</b>	<b>\$ 40,866,151</b>	<b>\$ 42,417,499</b>
<b>Major Repairs and Other Expenses</b>	<b>\$ 1,720,103</b>	<b>\$ 876,520</b>	<b>\$ 429,175</b>	<b>\$ 1,814,545</b>	<b>\$ 2,033,349</b>	<b>\$ 881,199</b>	<b>\$ 987,956</b>	<b>\$ 634,743</b>	<b>\$ 975,294</b>	<b>\$ 924,169</b>
<b>Bad Debt Expense - Assessment Projects</b>					<b>\$ (315,094)</b>	<b>\$ (237,878)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net System Revenues</b>	<b>\$ 58,439,337</b>	<b>\$ 62,741,504</b>	<b>\$ 69,057,185</b>	<b>\$ 74,672,314</b>	<b>\$ 76,773,256</b>	<b>\$ 74,143,746</b>	<b>\$ 78,648,113</b>	<b>\$ 92,039,155</b>	<b>\$ 104,597,665</b>	<b>\$ 110,800,836</b>
<b>Revenue Bonds (Senior Debt) - Principal and Interest Due</b>										
Series 2005A - (Refunding Bonds)	\$ 4,183,600	\$ 4,010,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Series 2006A - (Revenue Bonds)	3,008,874	2,126,859	-	-	-	-	-	-	-	-
Series 2007A - (Revenue Bonds)	6,025,375	3,748,500	-	-	-	-	-	-	-	-
Series 2009A - (Build America Bonds)	4,314,924	4,295,341	4,274,666	4,248,676	2,812,343	-	-	-	-	-
Series 2010A - (Build America Bonds)	5,409,567	5,388,239	5,366,686	5,339,304	3,626,973	-	-	-	-	-
Series 2010B - (Refunding Bonds)	3,005,425	2,998,488	2,995,613	2,991,738	2,992,175	2,454,900	-	-	-	-
Series 2010C - (Build America Bonds)	1,953,390	1,940,278	1,921,009	1,905,615	1,734,595	-	-	-	-	-
Series 2010D - (Recovery Zone Economic Dev. Bonds)	2,467,913	2,467,913	2,467,913	2,467,913	2,467,913	1,233,956	-	-	-	-
Series 2016A - (Refunding Bonds)	-	1,377,110	11,625,081	11,626,581	8,730,956	8,731,206	8,731,206	8,735,331	8,733,081	8,733,956
Series 2019A - (Refunding Bonds)					1,588,700	8,161,194	8,151,819	8,146,319	8,143,944	6,374,319
Series 2020A - (Refunding Bonds)						667,486	3,721,475	3,716,725	3,717,725	5,483,850
Series 2021A - (Revenue Bonds)							301,591	2,219,044	2,222,419	2,224,544
Series 2021B - (Revenue Bonds)							981,042	2,062,750	2,062,250	2,062,625
<b>Total Principal and Interest on Revenue Bonds</b>	<b>\$ 30,369,068</b>	<b>\$ 28,353,227</b>	<b>\$ 28,650,967</b>	<b>\$ 28,579,827</b>	<b>\$ 23,953,654</b>	<b>\$ 21,248,742</b>	<b>\$ 21,887,132</b>	<b>\$ 24,880,169</b>	<b>\$ 24,879,419</b>	<b>\$ 24,879,294</b>
<b>Debt Service Coverage Ratio - Bonds (Senior Debt)</b>										
* Calculated	192%	221%	241%	261%	321%	349%	359%	370%	420%	445%
** Required	125%	125%	125%	125%	125%	125%	125%	125%	125%	125%

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

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

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

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>KIA and Other Notes (Subordinate Debt) Principal and Interest Due</b>										
A04-09 Eastern Regional Water Reclamation Facility	\$ 2,205,308	\$ 2,202,284	\$ 2,199,169	\$ 2,195,959	\$ 2,192,652	\$ 2,189,246	\$ 1,093,314	\$ -	\$ -	\$ -
A08-04 Western Regional Water Reclamation Facility Construction Project	3,961,931	3,955,485	3,948,975	3,942,400	3,935,759	3,929,051	3,922,276	3,915,433	3,908,521	3,901,540
A09-04 Dry Creek WWTP Clarifier Project	308,255	307,819	307,374	306,920	306,456	305,984	305,502	305,010	304,509	303,997
A09-05 Sunnybrook Sewer Project	341,280	340,786	340,283	339,769	339,245	338,711	338,166	337,610	337,042	336,464
A09-06 South Fork / Gunpowder Interceptor Construction Project	798,803	797,708	796,591	795,451	794,289	793,103	791,893	790,659	789,400	788,116
A09-07 Frogtown Interceptor	296,282	295,872	295,453	295,026	294,590	294,145	293,692	293,229	292,757	292,276
A09-08 Turkeyfoot Rd / Industrial Rd. Force Main Project	134,815	134,630	134,442	134,249	134,053	133,853	133,649	133,440	133,228	133,011
A09-09 Narrows Road Diversion Pump Station Construction Project	506,126	505,432	504,724	504,002	503,265	502,514	501,748	500,966	500,168	499,354
A10-11 Dry Creek Headworks Construction Project	1,004,284	1,002,936	1,001,560	1,000,158	998,727	997,267	995,778	994,259	992,710	991,129
A11-13 - Church St, Lakeview, and KY Aire Pump Station Replacement	202,912	213,112	214,179	456,580	678,572	677,671	676,751	675,814	674,857	673,881
A11-14 Lakeside Park and Vernon Lane Projects	23,245	26,840	46,408	74,826	246,268	250,926	250,589	250,245	249,895	249,537
A12-02 Wolpert Pump station Rehab and Force Main Replacement	53,395	53,321	53,246	53,169	53,090	53,010	52,928	52,845	52,760	52,673
A15-103 Patton and 8th Street Wet Well Rehab	12,525	132,558	131,566	131,381	131,193	131,002	130,807	130,609	130,408	130,203
A209-01 ARRA Banklick Creek Sewer Project	11,826	11,809	11,792	11,774	11,756	109,210	-	-	-	-
A209-02 ARRA Banklick Creek Wetlands Project	41,187	41,128	41,068	41,008	40,946	411,995	-	-	-	-
A209-03 ARRA Regional Bioretention Project	44,865	44,801	44,735	44,668	44,600	431,644	-	-	-	-
A209-04 ARRA Terraced Reforestation Project	25,030	24,995	24,959	24,923	24,886	259,841	-	-	-	-
<b>Total KIA and Other Notes Principal and Interest</b>	<b>\$ 9,972,069</b>	<b>\$ 10,091,516</b>	<b>\$ 10,096,524</b>	<b>\$ 10,352,262</b>	<b>\$ 10,730,348</b>	<b>\$ 11,809,173</b>	<b>\$ 9,487,092</b>	<b>\$ 8,380,119</b>	<b>\$ 8,366,254</b>	<b>\$ 8,352,181</b>
<b>All Bonds and Notes-Annual Principal and Interest Payments</b>	<b>\$ 40,341,137</b>	<b>\$ 38,444,743</b>	<b>\$ 38,747,490</b>	<b>\$ 38,932,089</b>	<b>\$ 34,684,002</b>	<b>\$ 33,057,915</b>	<b>\$ 31,374,224</b>	<b>\$ 33,260,287</b>	<b>\$ 33,245,673</b>	<b>\$ 33,231,475</b>
<b>All Debt Service Coverage Ratio</b>										
*** Calculated	145%	163%	178%	192%	221%	224%	251%	277%	315%	333%

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

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

<b>Fiscal Year</b>	<b>Revenue Bonds (1)</b>	<b>Notes Payable</b>	<b>IT Subscription Liability</b>	<b>Total Outstanding Debt</b>	<b>Sewer Service Accounts (2)</b>	<b>Outstanding Debt per Sewer Service Account</b>	<b>Total Assets</b>	<b>Debt to Assets Ratio</b>
2015	\$ 365,383,540	\$ 147,961,008	\$ -	\$ 513,344,549	\$ 103,572	\$ 4,956	\$ 873,622,633	58.8%
2016	352,290,207	142,882,485	-	495,172,692	104,500	4,738	1,247,626,372	39.7%
2017	339,854,417	136,724,421	-	476,578,838	105,497	4,517	1,240,708,600	38.4%
2018	324,620,158	131,411,482	-	456,031,640	106,610	4,278	1,240,678,116	36.8%
2019	309,159,823	124,135,749	-	433,295,572	107,393	4,035	1,247,824,271	34.7%
2020	297,748,060	115,749,700	-	413,497,761	108,382	3,815	1,257,011,965	32.9%
2021	285,025,950	106,097,554	-	391,123,504	109,628	3,568	1,260,224,362	31.0%
2022	354,012,995	86,615,686	-	440,628,681	110,790	3,977	1,348,872,266	32.7%
2023	336,789,121	79,709,202	579,053	417,077,376	111,850	3,729	1,383,256,826	30.2%
2024	319,341,126	72,698,881	730,570	392,770,577	112,868	3,480	1,419,000,268	27.7%
2025	301,664,116	65,582,988	1,014,318	368,261,422	113,880	3,234	1,480,911,081	24.9%

(1) Presented net of original issuance discounts and premiums

(2) Source: SD1 billing registers

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

<b>NORTHERN KY COUNTIES</b>	<b>2013 (ACS 5-Year Estimates)</b>				<b>2014 (ACS 5-Year Estimates)</b>				<b>2015 (ACS 5-Year Estimates)</b>			
	<b>BOONE</b>	<b>CAMPBELL</b>	<b>KENTON</b>	<b>COMBINED</b>	<b>BOONE</b>	<b>CAMPBELL</b>	<b>KENTON</b>	<b>COMBINED</b>	<b>BOONE</b>	<b>CAMPBELL</b>	<b>KENTON</b>	<b>COMBINED</b>
<b>POPULATION</b>												
Total Population	121,214	90,606	160,828	372,648	123,030	91,268	161,915	376,213	124,617	91,475	163,007	379,099
Median Age (years)	36.0	37.0	36.4	n/a	36.1	37.0	36.3	n/a	36.2	37.3	36.4	n/a
<b>HOUSEHOLDS</b>												
Total Households	43,255	35,203	61,800	140,258	43,903	35,478	61,962	141,343	44,709	35,477	62,225	142,411
Average Household Size	2.78	2.49	2.56	2.61	2.78	2.49	2.57	2.62	2.77	2.49	2.58	2.62
Populations in Households	120,390	87,830	158,303	366,523	122,141	88,307	159,438	369,886	123,644	88,421	160,718	372,783
Population 25 years and older	83,378	65,772	115,346	264,496	84,911	66,322	116,400	267,633	86,329	66,896	117,493	270,718
<b>HOUSING OCCUPANCY</b>												
Total Housing Units	46,635	39,560	69,081	155,276	47,052	39,705	69,242	155,999	47,466	39,754	69,369	156,589
Occupied Housing Units	43,255	35,203	61,800	140,258	43,903	35,478	61,962	141,343	44,709	35,477	62,225	142,411
Owner-Occupied Units	32,649	24,643	42,038	99,330	32,561	24,417	41,536	98,514	32,785	24,368	40,956	98,109
Renter-Occupied Units	10,606	10,560	19,762	40,928	11,342	11,061	20,426	42,829	11,924	11,109	21,269	44,302
Vacant Housing Units	3,380	4,357	7,281	15,018	3,149	4,227	7,280	14,656	2,757	4,277	7,144	14,178
Vacant Housing Rate	7.2%	11.0%	10.5%	9.7%	6.7%	10.6%	10.5%	9.4%	5.8%	10.8%	10.3%	9.1%
Median (Value)	\$ 172,700	\$ 146,300	\$ 144,300	n/a	\$ 174,200	\$ 147,700	\$ 143,900	n/a	\$ 175,100	\$ 150,400	\$ 145,200	n/a
<b>EMPLOYMENT STATUS</b>												
Population 16 years and older	90,433	72,430	125,242	288,105	92,145	73,165	126,093	291,403	93,587	73,523	127,102	294,212
Population in Civilian Labor Force	64,347	49,548	85,459	199,354	65,546	49,526	85,229	200,301	66,346	49,211	86,096	201,653
Employed	59,917	45,336	77,880	183,133	61,454	45,481	78,082	185,017	62,624	45,872	79,447	187,943
Employed Percentage	93.1%	91.5%	91.1%	91.9%	93.8%	91.8%	91.6%	92.4%	94.4%	93.2%	92.3%	93.2%
Unemployed	4,430	4,212	7,579	16,221	4,092	4,045	7,147	15,284	3,722	3,339	6,649	13,710
Unemployed Percentage	6.9%	8.5%	8.9%	8.1%	6.2%	8.2%	8.4%	7.6%	5.6%	6.8%	7.7%	6.8%
<b>INCOME</b>												
Median Household Income	\$ 67,225	\$ 54,306	\$ 54,270	n/a	\$ 67,286	\$ 54,482	\$ 54,817	n/a	\$ 66,730	\$ 54,621	\$ 54,296	n/a
Mean Household Income	\$ 80,339	\$ 67,244	\$ 69,687	\$ 72,359	\$ 81,417	\$ 68,553	\$ 70,126	\$ 73,238	\$ 81,500	\$ 70,780	\$ 70,236	\$ 73,908
Per Capita Income	\$ 29,235	\$ 26,945	\$ 27,704	\$ 28,025	\$ 29,656	\$ 27,479	\$ 27,788	\$ 28,331	\$ 29,866	\$ 28,248	\$ 27,847	\$ 28,612
<b>POVERTY LEVEL</b>												
Percentage whose Income in the past 12-months is below Poverty Level.												
All Families	7.4%	10.0%	10.5%	9.3%	7.1%	10.4%	11.1%	9.6%	6.6%	10.3%	11.8%	9.6%
All People	9.0%	13.0%	13.7%	12.0%	8.7%	14.0%	14.3%	12.4%	8.2%	14.6%	14.6%	12.5%
Under 18 Years	12.2%	17.5%	20.8%	17.0%	11.7%	19.2%	21.8%	17.6%	11.2%	20.5%	23.0%	18.2%
65 Years and Older	6.9%	8.0%	8.3%	7.8%	8.2%	8.0%	8.8%	8.4%	5.9%	9.8%	8.5%	8.1%

Source: factfinder2.census.gov/

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

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

Source: factfinder2.census.gov/

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

<b>NORTHERN KY COUNTIES</b>	<b>2019 (ACS 5-Year Estimates)</b>				<b>2020 (ACS 5-Year Estimates)</b>				<b>2021 (ACS 5-Year Estimates)</b>			
	<b>BOONE</b>	<b>CAMPBELL</b>	<b>KENTON</b>	<b>COMBINED</b>	<b>BOONE</b>	<b>CAMPBELL</b>	<b>KENTON</b>	<b>COMBINED</b>	<b>BOONE</b>	<b>CAMPBELL</b>	<b>KENTON</b>	<b>COMBINED</b>
<b>POPULATION</b>												
Total Population	130,820	92,861	165,668	389,349	132,368	93,608	166,552	392,528	134,599	93,023	168,264	395,886
Median Age (years)	37.5	38.2	37.1	n/a	38.0	38.1	37.3	n/a	38.0	38.1	37.4	n/a
<b>HOUSEHOLDS</b>												
Total Households	46,997	36,746	63,966	147,709	47,391	37,197	64,544	149,132	48,683	38,030	66,999	153,712
Average Household Size	2.76	2.43	2.55	2.59	2.77	2.42	2.54	2.59	2.75	2.35	2.48	2.53
Populations in Households	129,808	89,261	163,247	382,316	131,351	90,052	164,136	385,539	133,675	89,515	165,975	389,165
Population 21 years and older	91,544	68,770	120,648	280,962	92,949	69,584	121,407	283,940	94,521	69,327	122,575	286,423
Population 65 years and older	16,864	14,117	23,111	54,092	17,968	14,811	23,915	56,694	18,186	14,844	24,402	57,432
<b>HOUSING OCCUPANCY</b>												
Total Housing Units	49,443	40,312	69,661	159,416	49,938	40,533	69,790	160,261	51,044	41,165	72,210	164,419
Occupied Housing Units	46,997	36,746	63,966	147,709	47,391	37,197	64,544	149,132	48,683	38,030	66,999	153,712
Owner-Occupied Units	35,015	25,624	42,303	102,942	35,954	26,204	43,693	105,851	37,423	26,932	45,459	109,814
Renter-Occupied Units	11,982	11,122	21,663	44,767	11,437	10,993	20,851	43,281	11,260	11,098	21,540	43,898
Vacant Housing Units	2,446	3,566	5,695	11,707	2,547	3,336	5,246	11,129	2,361	3,135	5,211	10,707
Vacant Housing Rate	4.9%	8.8%	8.2%	7.3%	5.1%	8.2%	7.5%	6.9%	4.6%	7.6%	7.2%	6.5%
Median (Value) Owner-occupied units	\$ 189,800	\$ 172,000	\$ 161,100	n/a	\$ 194,700	\$ 173,400	\$ 167,100	n/a	\$ 205,100	\$ 184,700	\$ 176,000	n/a
<b>EMPLOYMENT STATUS</b>												
Population 16 years and older	100,352	75,592	130,197	306,141	101,829	76,332	131,210	309,371	103,369	75,754	132,688	311,811
Population in Civilian Labor Force	70,331	48,952	89,136	208,419	69,672	49,401	90,440	209,513	71,620	49,565	91,648	212,833
Employed	67,668	46,997	85,375	200,040	67,197	47,301	86,893	201,391	69,155	47,542	87,830	204,527
Employed Percentage	96.2%	96.0%	95.8%	96.0%	96.4%	95.7%	96.1%	96.1%	96.56%	95.92%	95.83%	96.10%
Unemployed	2,663	1,955	3,761	8,379	2,475	2,100	3,547	8,122	2,465	2,023	3,818	8,306
Unemployed Percentage	3.8%	4.0%	4.2%	4.0%	3.6%	4.3%	3.9%	3.9%	3.4%	4.1%	4.2%	3.9%
<b>INCOME</b>												
Median Household Income	\$ 78,327	\$ 63,050	\$ 64,339	n/a	\$ 82,838	\$ 63,152	\$ 66,541	n/a	\$ 87,034	\$ 65,580	\$ 68,503	n/a
Mean Household Income	\$ 97,356	\$ 83,704	\$ 83,684	\$ 88,039	\$ 98,617	\$ 85,588	\$ 87,810	\$ 90,690	\$ 103,177	\$ 91,974	\$ 91,344	\$ 95,248
Per Capita Income	\$ 35,991	\$ 34,025	\$ 33,330	\$ 34,396	\$ 36,371	\$ 35,124	\$ 34,936	\$ 35,469	\$ 38,292	\$ 38,404	\$ 36,957	\$ 37,748
<b>POVERTY LEVEL</b>												
Percentage whose Income in the past 12-months is below Poverty Level.												
All Families	5.4%	9.4%	8.1%	7.5%	4.2%	8.7%	7.7%	6.7%	3.7%	8.0%	8.2%	6.6%
All People	7.2%	13.5%	11.5%	10.5%	6.5%	12.4%	11.5%	10.0%	6.1%	12.2%	11.9%	10.0%
Under 18 Years	10.0%	15.9%	16.4%	14.6%	9.5%	12.8%	16.9%	13.3%	8.6%	12.6%	17.4%	13.1%
65 Years and Older	3.6%	12.7%	8.6%	8.1%	4.3%	15.4%	8.2%	8.8%	3.6%	15.7%	9.7%	9.3%

Source: data.census.gov/

<b>Sanitation District No. 1</b> <b>Northern Kentucky Demographic and Census Information</b> <b>Ten Years</b>
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<u>NORTHERN KY COUNTIES</u>	<u>2022 (ACS 5-Year Estimates)</u>			
	<u>BOONE</u>	<u>CAMPBELL</u>	<u>KENTON</u>	<u>COMBINED</u>
<b>POPULATION</b>				
Total Population	136,150	93,122	169,066	398,338
Median Age (years)	38.0	38.9	37.4	n/a
<b>HOUSEHOLDS</b>				
Total Households	49,587	38,684	67,353	155,624
Average Household Size	2.72	2.33	2.48	2.52
Populations in Households	135,090	90,063	166,905	392,058
Population 21 years and older	96,397	70,101	123,780	290,278
Population 65 years and older	19,301	15,494	25,375	60,170
<b>HOUSING OCCUPANCY</b>				
Total Housing Units	51,773	41,465	72,564	165,802
Occupied Housing Units	49,587	38,684	67,353	155,624
Owner-Occupied Units	37,766	27,670	46,532	111,968
Renter-Occupied Units	11,821	11,014	20,821	43,656
Vacant Housing Units	2,186	2,781	5,211	10,178
Vacant Housing Rate	4.2%	6.7%	7.2%	6.1%
Median (Value) Owner-occupied units	\$ 237,600	\$ 214,400	\$ 207,700	n/a
<b>EMPLOYMENT STATUS</b>				
Population 16 years and older	104,952	75,986	133,999	314,937
Population in Civilian Labor Force	72,547	49,487	92,770	214,804
Employed	70,514	47,628	88,706	206,848
Employed Percentage	97.2%	96.2%	95.6%	96.3%
Unemployed	2,033	1,859	4,064	7,956
Unemployed Percentage	2.8%	3.8%	4.4%	3.7%
<b>INCOME</b>				
Median Household Income	\$ 91,697	\$ 71,979	\$ 76,016	n/a
Mean Household Income	\$ 110,633	\$ 101,730	\$ 100,475	\$ 104,024
Per Capita Income	\$ 41,281	\$ 42,846	\$ 40,780	\$ 41,427
<b>POVERTY LEVEL</b>				
Percentage whose Income in the past 12-months is below Poverty Level.				
All Families	3.1%	7.9%	7.9%	6.2%
All People	5.7%	11.7%	11.9%	9.7%
Under 18 Years	6.8%	11.4%	18.2%	12.6%
65 Years and Older	5.2%	14.8%	10.2%	9.8%

Source: data.census.gov/

**Sanitation District No. 1**  
**Northern Kentucky Top Ten Employers**  
**2016 & 2025**

<b>Top Ten Employers in Northern Kentucky - 2025 (Ranked by Local Employees)</b>		
<b>Company</b>	<b>Employees</b>	<b>Percentage of Employed Work Force</b>
St. Elizabeth Healthcare	10,180	4.7%
Kroger Company	9,000	4.2%
Fidelity Investments	5,815	2.7%
DHL	4,400	2.0%
Northern Kentucky University	1,938	0.9%
Mubea	900	0.4%
Corporex	865	0.4%
Bosch Mobility	800	0.4%
Novolex	767	0.4%
Tyson Foods	750	0.3%
<b>Totals:</b>	<b>35,415</b>	<b>16.5%</b>
Source: Cincinnati Business Courier 2025 Top 25 Lists		

<b>Top Ten Employers in Northern Kentucky - 2016 (Ranked by Local Employees)</b>		
<b>Company</b>	<b>Employees</b>	<b>Percentage of Employed Work Force</b>
St. Elizabeth Healthcare	7,479	3.7%
Fidelity Investments	4,000	2.0%
Kroger Company	3,646	1.8%
Boone County Schools	3,615	1.8%
Internal Revenue Service	3,611	1.8%
Amazon.com LLC	3,000	1.5%
Citi	2,541	1.3%
DHL	2,200	1.1%
Kenton County Schools	2,200	1.1%
Northern Kentucky University	2,100	1.0%
<b>Totals:</b>	<b>34,392</b>	<b>17.1%</b>
Source: Cincinnati Business Courier 2015/2016 Lists		

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

	Design Capacity MGD	Fiscal Year									
		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Treatment Plant Flow (1)</b>											
Dry Creek	46.5	27.4	27.0	27.0	27.0	30.0	25.3	25.3	25.0	28.6	35.6
Eastern Regional WRF*	4.0	1.03	1.00	1.00	1.00	1.00	1.15	1.15	1.10	1.20	1.79
Western Regional WRF**	20.0	8.12	8.00	8.00	8.00	9.00	9.00	9.00	11.18	11.30	11.74
	<u>70.5</u>	<u>36.6</u>	<u>36.0</u>	<u>36.0</u>	<u>36.0</u>	<u>40.0</u>	<u>35.5</u>	<u>35.5</u>	<u>37.3</u>	<u>41.1</u>	<u>49.1</u>
<b>Staffing Levels (2)</b>											
Administration		58.5	54.0	43.0	45.0	44.5	56.0	54.0	54.0	53.0	57.5
Engineering		21.0	21.0	23.0	25.0	28.5	29.5	31.5	31.5	30.5	29.5
Operations		5.0	5.0	20.0	23.5	25.5	13.5	14.5	14.5	17.5	15.0
Water Resources		16.5	16.5	16.5	11.5	11.5	11.5	10.5	10.5	10.5	10.0
Collection System		84.0	78.0	72.0	69.0	66.0	66.0	66.0	63.0	60.0	58.0
Field Tech (Pump Stations)		15.0	15.0	15.0	15.0	15.0	16.0	17.0	17.0	17.0	18.0
Eastern Regional and Small Plants		10.5	9.5	9.5	7.5	7.5	7.5	7.5	6.0	6.0	7.0
Western Regional Plant		13.0	13.0	13.0	13.0	13.0	13.0	13.0	12.0	12.0	10.0
Dry Creek and Lab		45.5	45.5	45.5	44.5	43.0	43.0	42.5	40.5	40.5	39.0
<b>Total Employees</b>		<u>269.0</u>	<u>257.5</u>	<u>257.5</u>	<u>254.0</u>	<u>254.5</u>	<u>256.0</u>	<u>256.5</u>	<u>249.0</u>	<u>247.0</u>	<u>244.0</u>

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

(2) Source: SD1 budget documents

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

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

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

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Miles of Sanitary Sewers (Includes sanitary, force mains and combined)	1,620	1,620	1,640	1,650	1,662	1,685	1,685	1,701	1,720	1,725
Regional Wastewater Treatment Plants	3	3	3	3	3	3	3	3	3	3
Small Wastewater Treatment Plants										
Owned and Operated	4	4	4	4	4	4	4	4	4	4
Operated but not Owned	2	3	3	3	3	2	2	2	2	3
Pump Stations										
Owned and Operated	121	120	121	121	121	122	123	124	126	125
Operated but not Owned	3	3	3	3	3	3	3	4	3	3
Flood Stations	15	15	15	15	15	15	15	15	16	16
Flood Gate Structures	89	89	92	93	93	93	93	93	97	97
Storm Structures	32,820	33,097	31,106	31,657	32,728	32,300	32,915	33,999	35,046	35,746
Miles of Separate Storm Sewers	447	451	416	425	428	433	442	546	505	494

Source: SD1 GIS records