

SANGAMON COUNTY WATER RECLAMATION DISTRICT
Springfield, Illinois

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

For the Year Ended April 30, 2019

**SANGAMON COUNTY WATER RECLAMATION DISTRICT
Springfield, Illinois**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
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	3-4
<i>Financial Statements</i>	
Statement of Net Position	5
Statement of Revenues, Expenses and Changes in Net Position	6
Statement of Cash Flows	7
<i>Notes to Financial Statements</i>	8-29
<i>Required Supplemental Information Relative to the Illinois Municipal Retirement Fund</i>	
Schedule of Changes in the Net Pension Liability and Related Ratios	30
Schedule of Employer Contributions	31
<i>Other Supplemental Data (Unaudited)</i>	
Schedule of Assessed Valuations, Rates, Extensions and Collections	32
Rate Increases and Rate Schedule	33
Schedule of Revenues and Expenses Required by Ordinance 2009-29	34

J. Timothy Cravens, C.P.A.
Todd J. Anderson, C.P.A.
Dorinda L. Fitzgerald, C.P.A.
Jamie L. Nichols, C.P.A.

Pehlman & Dold, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Joseph E. Pehlman, C.P.A. (1941-1984)
Joseph B. Dold, C.P.A. (1953-2005)
Robert E. Ritter, C.P.A., Retired

100 North Amos Avenue
Springfield, IL 62702
217-787-0563
FAX 217-787-9266

June 7, 2019

Board of Trustees
Sangamon County Water Reclamation District
Springfield, Illinois

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Sangamon County Water Reclamation District, Springfield, Illinois (the "District"), as of and for the year ended April 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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 Sangamon County Water Reclamation District, Springfield, Illinois, as of April 30, 2019, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The required supplementary information relative to the Illinois Municipal Retirement Fund defined benefit plan, and the post employment benefit other than a pension, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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 regarding the methods of measurement and presentation of the supplementary information. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Sangamon County Water Reclamation District, Springfield, Illinois' basic financial statements. The accompanying financial information listed as "*Other Supplemental Data*" in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2019, on our consideration of the Sangamon County Water Reclamation District, Springfield, Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Sangamon County Water Reclamation District, Springfield, Illinois' internal control over financial reporting and compliance.

Respectfully submitted,

Pehlman & Dold, P.C.

PEHLMAN & DOLD, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
SPRINGFIELD, ILLINOIS

Pehlman & Dold, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Joseph E. Pehlman, C.P.A. (1941-1984)
Joseph B. Dold, C.P.A. (1953-2005)
Robert E. Ritter, C.P.A., Retired

100 North Amos Avenue
Springfield, IL 62702
217-787-0563
FAX 217-787-9266

June 7, 2019

Board of Trustees
Sangamon County Water Reclamation District
Springfield, Illinois

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

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, the Sangamon County Water Reclamation District, Springfield, Illinois, as of and for the year ended April 30, 2019, and the related notes to the financial statements, which collectively comprise the Sangamon County Water Reclamation District, Springfield, Illinois' basic financial statements, and have issued our report thereon dated June 7, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sangamon County Water Reclamation District, Springfield, Illinois' internal control over financial reporting (internal control) to determine the 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 the Sangamon County Water Reclamation District, Springfield, Illinois' internal control. Accordingly, we do not express an opinion on the effectiveness of the Sangamon County Water Reclamation District, Springfield, Illinois' internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sangamon County Water Reclamation District, Springfield, Illinois' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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.

Respectfully submitted,

Pehlman & Dold, P.C.

PEHLMAN & DOLD, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
SPRINGFIELD, ILLINOIS

SANGAMON COUNTY WATER RECLAMATION DISTRICT
Springfield, Illinois

STATEMENT OF NET POSITION
April 30, 2019

ASSETS

Current assets:

Cash	\$ 1,160,431
Receivables:	
Sewer service charges	3,509,481
Property taxes	3,027,167
Replacement taxes	97,952
U.S. Treasury	723,452
Prepaid expenses	70,228
Restricted assets:	
Cash Restricted	9,111,449
Special assessment receivable	<u>278</u>

Total current assets 17,700,438

Non-current assets:

Capital assets not being depreciated:	
Land	852,859
Construction in progress	73,366,370
Capital assets, net of accumulated depreciation:	
Property, plant and equipment	<u>202,214,804</u>
Total capital assets	<u>276,434,033</u>

Low pressure receivables 223,345

Total noncurrent assets 276,657,378

Total assets 294,357,816

DEFERRED OUTFLOWS OF RESOURCES

Deferred pension and OPEB expenses 3,143,395

Total deferred inflows of resources 3,143,395

LIABILITIES

Current liabilities:

Accounts payable	193,284
Accrued vacation and payroll	1,584,403
Accrued interest payable	2,644,599
Short term line of credit	650,500
Current portion of Illinois Environmental Protection Agency	4,813,364
Current portion of bonds payable	<u>2,475,000</u>
Total current liabilities	<u>12,361,150</u>

Non-current liabilities:

Bonds payable	122,555,000
Illinois Environmental Protection Agency	
wastewater treatment loans	80,968,712
Net post employment benefit obligations	<u>17,362,480</u>
Total non-current liabilities	<u>220,886,192</u>

Total liabilities 233,247,342

DEFERRED INFLOWS OF RESOURCES

Deferred property taxes	3,027,167
Deferred gain on refunding	<u>1,287,526</u>

Total deferred inflows of resources 4,314,693

NET POSITION

Net investment in capital assets	68,536,957
Restricted – capital projects	4,536,969
Unrestricted	<u>(13,134,750)</u>

Total net position \$ 59,939,176

The Notes to the Financial Statements are an integral part of this statement.

SANGAMON COUNTY WATER RECLAMATION DISTRICT
Springfield, Illinois

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended April 30, 2019

<i>Operating Revenues</i>	
Sewer service charge	\$21,551,629
Sewer permits	236,169
Special waste fees	189,477
Lab fees	18,890
Low pressure system payments	130,511
Annexation fees	<u>1,479</u>
<i>Total operating revenues</i>	<u>22,128,155</u>
<i>Operating Expenses</i>	
Plant operations	8,885,948
Pump station	1,136,192
Sewer operations	499,283
Management and administration	4,752,696
Depreciation	<u>3,294,994</u>
<i>Total operating expenses</i>	<u>18,569,113</u>
<i>Operating income</i>	<u>3,559,042</u>
<i>Non-operating Revenues (Expenses)</i>	
Property taxes	2,947,166
Federal sources – Build America Bonds	1,457,958
Illinois replacement taxes	359,132
Interest income	194,688
Rental income	17,838
Refunds, reimbursements, and miscellaneous	(2,111)
Interest expense	(7,969,048)
Bond fees	<u>(6,200)</u>
<i>Total non-operating revenues (expenses)</i>	<u>(3,000,577)</u>
<i>Change in Net Position</i>	558,465
<i>Net Position</i>	
Beginning of year	<u>59,380,711</u>
End of year	<u>\$59,939,176</u>

The Notes to the Financial Statements are an integral part of this statement.

SANGAMON COUNTY WATER RECLAMATION DISTRICT
Springfield, Illinois

STATEMENT OF CASH FLOWS
For the Year Ended April 30, 2019

Net Cash Flows from Operating Activities:	
Cash received from customers and users	\$ 20,820,475
Payments to suppliers	(9,386,964)
Payments to employees	(5,353,785)
Net cash provided by operating activities	<u>6,079,726</u>
Net Cash Flows from Non-Capital Financing Activities:	
Property tax receipts	2,947,166
Illinois replacement tax receipts	332,239
Federal and state receipts	1,465,880
Refunds, reimbursements, and miscellaneous	(2,112)
Net cash provided by non-capital financing activities	<u>4,743,173</u>
Net Cash Flows from Capital and Related Financing Activities:	
Principal payments on long-term debt	(6,761,176)
Short-term debt proceeds	650,000
Bond expenses	(5,700)
Interest paid	(8,000,704)
Acquisition and construction of capital assets	(4,971,839)
Net cash used by capital and related financing activities	<u>(19,089,419)</u>
Net Cash Flows from Investing Activities:	
Interest income	156,698
Rental income	17,838
Net cash provided by investing activities	<u>174,536</u>
<i>Net decrease in cash or cash equivalents</i>	(8,091,984)
Cash or cash equivalents – May 1, 2018	<u>18,363,864</u>
Cash or cash equivalents – April 30, 2019	<u>\$ 10,271,880</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 3,559,042
<i>Adjustments to reconcile operating income to net cash provided by operating activities:</i>	
Depreciation	3,294,994
<i>Change in operating assets and liabilities:</i>	
Increase in receivables	(1,358,131)
Decrease in accounts payable	(113,991)
Increase in accrued vacation and payroll	58,889
Increase in prepaid expenses	(14,669)
Increase in post employment benefit obligations	653,592
Net cash provided by operating activities	<u>\$ 6,079,726</u>

The Notes to the Financial Statements are an integral part of this statement.

SANGAMON COUNTY WATER RECLAMATION DISTRICT
Springfield, Illinois

NOTES TO FINANCIAL STATEMENTS
April 30, 2019

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Sangamon County Water Reclamation District, Springfield, Illinois (the "District") is a municipal corporation governed by a Board of Trustees consisting of five individuals who are appointed by the Chairman of the Sangamon County Board. Revenues consist primarily of property taxes and charges for services to customers living within an area of 165 square miles, of which the City of Springfield occupies about two-thirds. The District's revenues are therefore dependent on the economy within its territorial boundaries. Industry within the District's customer base is primarily state and local government, health care, and retail.

Adoption of New Accounting Standards:

Effective May 1, 2004, the District adopted Governmental Accounting Standards (GASB) Board Statement No. 34, *Financial statements – and Management's Discussion and Analysis – for State and Local Governments*, Statement No. 37, *Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, and Statement No. 38, *Certain Financial Statement Note Disclosures*. The primary impact of adopting the statements included capitalization of infrastructure (sewer lines) fixed assets, changing the presentation of fund equity, and changing the presentation of the cash flow statement from the indirect method to the direct method. Also, as part of the adoption of the new standards, the District chose to account for all of its various fund's activity and balances as a single business-type proprietary fund special purpose government entity.

Financial reporting information pertaining to the District's participation in the Illinois Municipal Retirement Fund is prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant of such policies.

Reporting Entity:

For financial reporting purposes, in accordance with the *Codification of Governmental Accounting and Financial Reporting Standards*, Section 2100, the District is a primary government in that it is a district with the authority to set and amend its budget, levy for taxes, set rates for charges, and issue bonded debt without approval from another government.

The District has developed criteria to determine whether outside agencies, such as cities, districts, and townships, should be included within its financial reporting entity. The criteria include, but are not limited to, whether the District exercises oversight responsibility on the following:

- Financial interdependency*
- Selection of governing authority*
- Designation of management*
- Ability to significantly influence operations*
- Accountability for fiscal matters*
- Scope of public service*
- Special financing relationship*

The District has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the District's financial statements.

Government-Wide Financial Statement Presentation and Basis of Accounting:

The District uses a single business-type fund to account for all assets, liabilities, net position, revenues, and expenses. Business-type funds are used to account for operations that are financed and operated in a manner similar to private businesses where the intent is that all costs of providing certain goods and services to the general public be financed or recovered primarily through user charges. Accordingly, the District's financial statements are presented on the accrual basis of accounting. Revenues from operations, investments, and other sources are recorded when earned and expenses are recorded when liabilities are incurred.

SANGAMON COUNTY WATER RECLAMATION DISTRICT
Springfield, Illinois

NOTES TO FINANCIAL STATEMENTS - continued
April 30, 2019

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide Financial Statement Presentation and Basis of Accounting: - continued

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 are charges to customers for sanitary services. Operating expenses for the proprietary fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District recognizes user charge revenues when the service is provided. Monthly cycle billing is utilized for all users. Unbilled receivables have been estimated at April 30. User charge rates are intended to generate revenues equivalent to estimated operating and replacement costs.

Service charges, permits, annexation fees, lab fees, and other miscellaneous revenues (except interest earnings) are recorded as revenues when received because they are generally not measurable until actually received. Interest earnings are recorded as earned since they are measurable and available.

Restricted Assets:

Restricted assets are cash and cash equivalents whose use is limited by legal requirements or board designation. Restricted cash represents the cash balances reserved for capital improvements, public benefit, sewer rehabilitation and replacement, special assessment debt, and bond and interest payments.

Capital Assets:

Public domain property (sewers) and other capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Capital assets are defined by the District as assets with an initial cost of more than \$1,000. The District capitalizes interest expense on funds used during construction of major projects. Bond costs discounts and premiums are amortized/accreted on a straight line basis over the useful life of the bond. Depreciation is provided using the straight-line method over the following estimated lives:

	<u>Years</u>
Land improvements	50-100
Buildings	100
Equipment, vehicles, and machinery	30-50
Sewer system	75

Depreciation is not provided on construction in progress until the project is completed and placed in service.

Compensated Absences:

It is the District's policy to permit employees to accumulate earned but unused sick, personal, holiday and compensatory pay benefits. One sick day is earned per month, and a maximum of 80 days may be carried over into the next year. Three personal leave days are credited to an employee at the first of the year and may be carried over into the next year with no maximum to the amount carried. Holiday leave time is earned when an employee works on a holiday as determined by the District. Holiday time may be accumulated and carried over to the next year. Employees may earn compensatory time in lieu of overtime pay for overtime worked. Employees are allowed to carry a maximum of 120 hours at any time. Upon termination of employment with the District, an employee's accumulated compensated absences balance, excluding sick time, is fully vested and payable at the employee's current pay rate. Sick leave is only paid to employees who have five or more years of service with the District and the termination is in good standing.

SANGAMON COUNTY WATER RECLAMATION DISTRICT

Springfield, Illinois

NOTES TO FINANCIAL STATEMENTS - continued
April 30, 2019

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Compensated Absences: - continued

Employees receive vacation time based on their prior year service. Vacation days are given to employees on January 1st and they have sixteen months to use it. Any unused time is lost. Upon termination employees are paid for current unused time as well as time earned in the current year for the following year.

Deferred Inflows and Outflows of Resources:

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The District reports deferred pension charges in its Statement of Net Position in connection with their participation in the Illinois Municipal Retirement Fund. These *deferred pension charges* are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contribution made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District reports unavailable revenue from property taxes as deferred in its Statement of Net Position. These amounts are deferred and recognized as revenue in the period that the amounts become available. The District also recognizes deferred inflows related to a gain on refunding. This amount will be amortized over the life of the debt.

Reservations of Net Position:

The District records reservations for portions of net position which are legally segregated for specific future use or which do not represent available expendable resources and therefore, are not available for appropriations or expenditure. Unrestricted net position indicates that portion of net position, which is available for appropriations, in future periods. Net position reserves have been established for encumbrances in capital projects and for future debt service.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net position during the reporting period. Actual results could differ from those estimates.

Sewer Service Charges Receivable:

A majority of the sewer service charges receivable is billed and collected by other governmental agencies and then remitted to the District. The governmental agencies each have a separate collection policy. All of sewer service charges receivable are deemed collectible.

Cash and Cash Equivalents:

For purposes of reporting cash flows, the District considers all cash accounts that are not subject to withdrawal restrictions or penalties, and certificates of deposit with original maturities of 1 year or less, to be cash or cash equivalents.

SANGAMON COUNTY WATER RECLAMATION DISTRICT
Springfield, Illinois

NOTES TO FINANCIAL STATEMENTS - continued
April 30, 2019

Note 2. DEPOSITS AND INVESTMENTS

Statutes permit the District to make deposits/invest in obligations of the United States Government, direct obligations of any bank as defined by the Illinois Banking Act, short-term obligations of United States corporations, subject to certain conditions, money market mutual funds with portfolios limited to U.S. Government obligations, credit union shares, the Illinois Public Treasurer's Investment Pool (IPTIP) and repurchase agreements, subject to certain conditions.

All funds of the District must be deposited and invested according to these statutes. Depository banks use the Dedicated Method of collateralization, placing approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) Insurance.

The following is disclosed regarding coverage as of April 30, 2019.

- a) The total amount of FDIC coverage as of April 30, 2019 was \$2,000,000
- b) Dedicated Method: The market value of securities pledged was \$21,944,552

At April 30, 2019, deposits and investments of the District consist of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Petty cash	\$ 400	\$
Cash in bank	4,063,729	4,296,571
Money Market Account	2,501	2,501
Certificate of Deposit	<u>6,205,250</u>	<u>6,205,250</u>
	<u>\$10,271,880</u>	<u>\$10,504,322</u>

Investment Policies:

Interest Rate Risk:	The District has no formal policy on interest rate risk. This is the risk that changes in market interest rates will adversely affect the fair market value of an investment. In general, the longer the maturity, the greater the chance that interest rate changes will adversely affect the investment. The District currently has zero exposure to interest rate risk.		
Custodial Credit Risk:	The District has no formal policy on custodial credit risk. This is the risk that in the event of the failure of the counterparty (ie: financial institution) to a transaction, a government will not be able to recover the value of its deposits or investments or collateral securities that are in the possession of another party. As of April 30, 2019, the District's deposits and investments were all insured and collateralized.		
Credit Risk:	The District has no formal policy on credit risk. Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. Government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure.		
Concentration Risk:	The District's Board places no limit on the amount that can be invested with any single issuer. Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. One of the Districts investments is more than 5%, or \$310,263:		
	Hickory Point Bank	\$4,163,898	67.10%

SANGAMON COUNTY WATER RECLAMATION DISTRICT
Springfield, Illinois

NOTES TO FINANCIAL STATEMENTS - continued
April 30, 2019

Note 2. DEPOSITS AND INVESTMENTS

At April 30, 2019, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities in Years</u>				<u>Rating</u>
		<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More than 10</u>	
Certificates of deposit	\$6,205,250	1,790,077	4,415,173			Unrated

Note 3. PROPERTY TAXES

The District's ad valorem property tax was levied by ordinance on December 18, 2018 on the assessed value listed and attached as an enforceable lien as of the prior January 1 for all real and business property located in the District. Taxes levied in one year become due and payable in two installments in June and September during the following year. Substantial collections of real estate taxes are typically received July through October.

The District accounts for property taxes using requirements that taxes relating to the current budget be recognized as revenue currently; and a property tax assessment made during the current year for the purpose of and relating to the following fiscal period budget be recorded as receivable and the related revenue deferred to the period for which it was levied.

The 2017 tax levy is reflected as revenue in the fiscal year ending April 30, 2019. Forfeited, objected, and delinquent tax distributions are recognized as revenues when collected.

Property taxes levied in 2018 to be collected in 2019 have been recognized as assets (property taxes receivable) and deferred inflows as these taxes have been matched to be used in the 2020 budget.

The tax rates and assessed valuation for the years are as follows:

	<u>Levy Year</u>	
	<u>2017</u>	<u>2018</u>
General	.0571	.0510
Illinois Municipal Retirement Fund	.0225	.0247
Sewer Treatment	.0086	.0084
Social Security	.0077	.0129
Total	<u>.0959</u>	<u>.0970</u>
Assessed valuation	<u>\$3,062,970,651</u>	<u>\$3,120,790,319</u>

Note 4. SPECIAL ASSESSMENT RECEIVABLES

The special assessment receivables are received in annual installments of principal and interest, at a rate not to exceed 6.50%, through 2020. The following summarizes the remaining principal installments receivable under the assessment:

<u>Fiscal Year</u>	<u>Principal</u>
April 30, 2020	<u>\$ 278</u>

SANGAMON COUNTY WATER RECLAMATION DISTRICT
Springfield, Illinois

NOTES TO FINANCIAL STATEMENTS - continued
April 30, 2019

Note 5. CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2019:

	Balances April 30, 2018	Additions	Deletions	Transfers	Balances April 30, 2019
<i>Capital Assets not being Depreciated:</i>					
Land	\$ 853,685	\$	\$ (826)	\$	\$ 852,859
Construction in progress	<u>72,698,406</u>	<u>752,172</u>		<u>(84,208)</u>	<u>73,366,370</u>
Total non-depreciable capital assets	<u>\$ 73,552,091</u>	<u>\$ 752,172</u>	<u>\$</u>	<u>\$ (84,208)</u>	<u>\$ 74,219,229</u>
<i>Capital Assets being Depreciated:</i>					
Land improvements	\$ 1,611,598	\$ 272,830	\$	\$	\$ 1,884,428
Buildings	65,249,118	1,242,035			66,491,153
Equipment, vehicles, and machinery	72,329,223	402,033			72,731,256
Sewer system	<u>113,438,130</u>	<u>1,703,693</u>		<u>84,208</u>	<u>115,226,031</u>
Total depreciable capital assets	<u>\$252,628,069</u>	<u>\$ 3,620,591</u>	<u>\$</u>	<u>\$ 84,208</u>	<u>\$256,332,868</u>
<i>Less Accumulated Depreciation:</i>					
Land improvements	\$ 472,450	\$ 45,548	\$	\$	\$ 517,998
Buildings	6,870,187	720,642			7,590,829
Equipment, vehicles, and machinery	13,860,614	1,655,313			15,515,927
Sewer system	<u>29,619,819</u>	<u>873,491</u>			<u>30,493,310</u>
Total accumulated depreciation	<u>\$ 50,823,070</u>	<u>\$ 3,294,994</u>	<u>\$</u>	<u>\$</u>	<u>\$ 54,118,064</u>
Total capital assets	<u>\$275,357,090</u>	<u>\$ 1,077,769</u>	<u>\$</u>	<u>\$</u>	<u>\$276,434,033</u>

Interest capitalized as construction period interest for the new sewer wastewater treatment plant is \$752,172. Total interest on long-term debt associated with the acquisition or construction of capital assets expensed during the year ended April 30, 2019 was \$7,817,468.

Note 6. SHORT-TERM DEBT

In March 2019, the District approved ordinance No. 2019-4 authorizing a short-term line of credit with Illinois National Bank up to \$1,000,000. The loan was used to cover operating expenses and was needed due to the lag of payments from the State of Illinois. The line of credit matures on March 19, 2020 and carries an interest rate of 5%. As of April 30, 2019, the loan had a balance of \$650,500.

Changes in short-term debt are as follows:

	Balance	Proceeds	Payments	Balance April 30, 2019
INB Line of Credit	\$	<u>\$650,500</u>	\$	<u>\$650,500</u>

Note 7. LONG-TERM LIABILITIES

Loans Payable:

Illinois Environmental Protection Agency Revolving Loans:

- (a) On September 21, 2009, the District was granted a wastewater treatment works loan, under the provision of the Environmental Protection Act, in the amount of \$20,000,000 at zero percent interest. In order to secure this loan, the District authorized the issuance of the Series 2009D Subordinate Lien Bonds. \$10,000,000 of eligible costs were funded by the Water Pollution Control Loan Program and will be required to be repaid fully. The other \$10,000,000 of eligible costs was funded under the American Recovery and Reinvestment Act of 2009, of which only \$5,000,000 will be required to be repaid.

SANGAMON COUNTY WATER RECLAMATION DISTRICT
Springfield, Illinois

NOTES TO FINANCIAL STATEMENTS - continued
April 30, 2019

Note 7. LONG-TERM LIABILITIES

Loans Payable: - continued

Illinois Environmental Protection Agency Revolving Loans: - continued

Principal payments of \$375,000 payments began April 2012 and are due each April and October thru 2031. The balance of the loan at April 30, 2019 was \$9,375,000. The \$5,000,000 of loan forgiveness was included in non-operating income for fiscal year 2012. Repayment of the loan is secured by a lien on the net revenue of the District subordinate to the pledge of revenues that has been granted to the 2009A and 2009E Bonds, and the 2011A Bonds the 2010A and 2010B Bonds.

The following is the future payment obligations on the Illinois Environmental Protection Agency loan:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
April 30, 2020	\$ 750,000	\$	\$ 750,000
April 30, 2021	750,000		750,000
April 30, 2022	750,000		750,000
April 30, 2023	750,000		750,000
April 30, 2024	750,000		750,000
April 30, 2025-2032	<u>5,625,000</u>		<u>5,625,000</u>
Total	\$ <u>9,375,000</u>	\$	\$ <u>9,375,000</u>

- (b) On July 28, 2010, the District was granted a \$20,000,000 loan from the Illinois Environmental Protection Agency, pursuant to the Environmental Protection Act, from the Water Revolving Fund. In order to secure this loan, the District authorized the issuance of the Series 2010C Subordinate Lien Bonds. The loan has a fixed interest rate of 1.25% and was used to construct Phase III of a four-phased new wastewater treatment plant. \$20,000,000 of eligible costs were funded from the Water Pollution Control Loan Program, of which \$2,500,000 was forgiven and was recognized as non-operating income for fiscal year 2012. Payments began May 1, 2012 and continue through November 1, 2031. The balance of the loan at April 30, 2019 was \$11,524,677. Repayment of the loan is secured by a lien on the net revenue of the District subordinate to the pledge of revenues that has been granted to the 2009A and 2009E Bonds, and the 2011A Bonds the 2010A and 2010B Bonds.

The following is the future payment obligations on the Illinois Environmental Protection Agency loan:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
April 30, 2020	\$ 857,363	\$ 141,388	\$ 998,751
April 30, 2021	868,114	130,637	998,751
April 30, 2022	878,999	119,752	998,751
April 30, 2023	890,021	108,730	998,751
April 30, 2024	901,181	97,570	998,751
April 30, 2025-2032	<u>7,129,000</u>	<u>361,631</u>	<u>7,490,631</u>
Total	\$ <u>11,524,678</u>	\$ <u>959,708</u>	\$ <u>12,484,386</u>

- (c) As of June 30, 2011 the Sangamon County Water Reclamation District, Springfield, Illinois was approved for a loan from the Water Pollution Control Loan Program in the amount of \$20,000,000 at a 1.25% simple annual interest rate. In accordance with the procedures for issuing loans from the Water Pollution Control Loan Program Title 35 Illinois Administration Code 365.260 \$2,500,000 of the loan amount will be forgiven by the State of Illinois.

In order to secure this loan, the District authorized the issuance of the Series 2011B Subordinate Lien Bonds. The proceeds of the loan will be used in the construction of Phase IV of the new Spring Creek Wastewater Treatment Plant. The \$2,500,000 of loan forgiveness was included in nonoperating income for the fiscal year 2013. The balance of the loan at April 30, 2019 was \$13,736,047. Repayment of the loan is secured by a lien on the net revenue of the District subordinate to the pledge of revenues that has been granted to the 2009A, 2009E, 2010A, 2010B, and 2011A Bonds.

The following is the future payment obligations on the Illinois Environmental Protection Agency loan:

SANGAMON COUNTY WATER RECLAMATION DISTRICT
Springfield, Illinois

NOTES TO FINANCIAL STATEMENTS - continued
April 30, 2019

Note 7. LONG-TERM LIABILITIES

Illinois Environmental Protection Agency Revolving Loans: - continued

Loans Payable: *continued*

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total\$</u>
April 30, 2020	\$ 838,028	\$ 169,090	\$ 1,007,118
April 30, 2021	848,537	158,581	1,007,118
April 30, 2022	859,176	147,942	1,007,118
April 30, 2023	869,950	137,168	1,007,118
April 30, 2024	880,858	126,260	1,007,118
April 30, 2025-2034	<u>9,439,498</u>	<u>631,686</u>	<u>10,071,184</u>
Total	<u>\$13,736,047</u>	<u>\$1,370,727</u>	<u>\$15,106,774</u>

- (d) On May 20, 2015, the District was offered a \$20,000,000 loan from the Illinois Environmental Protection Agency, pursuant to the Environmental Protection Act, from the Water Revolving Fund, which the District accepted on May 26, 2015. The loan terms include a 2.21% annual fixed rate for 20 years, with semi-annual payments due each March and September until March 2036.

In order to secure this loan, the District authorized the issuance of the Series 2015A Subordinate Lien Bonds. The proceeds of the loan were used in the construction of a new Sugar Creek Wastewater Treatment Plant. The balance of the loan at April 30, 2019 was \$18,099,575. Payments began March 2017 and continue through March 2036.

The following is future payment obligations on the Illinois Environmental Protection Agency loan:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
April 30, 2020	\$ 887,856	\$395,122	\$ 1,282,978
April 30, 2021	907,587	375,392	1,282,978
April 30, 2022	927,755	355,223	1,282,978
April 30, 2023	948,372	334,606	1,282,978
April 30, 2024	969,446	313,532	1,282,978
April 30, 2025 – 2036	<u>13,458,560</u>	<u>1,937,185</u>	<u>15,395,745</u>
Total	<u>\$18,099,576</u>	<u>\$3,711,060</u>	<u>\$21,810,636</u>

- (e) In August 2016, the District was offered a loan from the Illinois Environmental Protection Agency, pursuant to the Environmental Protection Act, from the Water Revolving Fund in the amount of \$33,910,000. The loan terms include a 1.75% annual fixed rate for 20 years, with semi-annual payments due each January and July through January 2038. Repayment of the loan will begin in July 2018.

The proceeds of the loan were used in construction of the Sugar Creek Waste Water Treatment Plant. The balance of the loan at April 30, 2019 was \$33,046,775.

The following is future payment obligations on the Illinois Environmental Protection Agency loan:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
April 30, 2020	\$1,480,116	\$ 571,871	\$ 2,051,987
April 30, 2021	1,506,131	545,856	2,051,987
April 30, 2022	1,532,604	519,383	2,051,987
April 30, 2023	1,559,542	492,445	2,051,987
April 30, 2024	1,586,953	465,034	2,051,987
April 30, 2025 – 2032	<u>25,381,429</u>	<u>3,346,391</u>	<u>28,727,820</u>
Total	<u>\$33,046,775</u>	<u>\$5,940,980</u>	<u>\$38,987,755</u>

Bond Issues:

- (a) Sangamon County Water Reclamation District, Springfield, Illinois issued General Obligation Bonds (Alternate Revenue Source) in the amount of \$1,705,000 dated November 27, 2007 pursuant to Ordinance 2007-33. Fixed interest rates range from 5.00 to 5.20%, with interest paid semiannually each January 1st and July 1st. The proceeds of the bond were used to fund the District's Early Retirement Incentive liability to the Illinois Municipal Retirement Fund, and to pay interest on the bonds through July 2008 and issuance costs. The Bonds

SANGAMON COUNTY WATER RECLAMATION DISTRICT
Springfield, Illinois

NOTES TO FINANCIAL STATEMENTS - continued
April 30, 2019

Note 7. LONG-TERM LIABILITIES

Bond Issues: - continued

are payable from the District's IMRF property tax levy. The 2007A Bonds are additionally payable from a levy of ad valorem property taxes if the IMRF property tax levy is not sufficient to pay the bonds. The bond was fully repaid during fiscal year 2018.

- (b) Sangamon County Water Reclamation District, Springfield, Illinois issued General Obligation Bonds (Alternate Revenue Source), Series 2009-A, in the amount of \$18,800,000 for the purpose of redeeming in full the District's Sewer Revenue Bonds, Series 2007, and also to pay for capital improvements including engineering studies on the District's combined sewer overflows, and to pay interest and other costs related to the issuance of these bonds. The bonds were issued pursuant to an authorizing ordinance adopted by the Board of Trustees on January 27, 2009, a master bond ordinance adopted by the board on June 30, 2009 and the Series 2009A Bond Ordinance adopted June 30, 2009. Principal payments ranging from \$490,000 to \$870,000 are due each January 1st from 2011 to 2039. The bonds carry interest rates ranging from 3.00% to 5.25% and shall pay interest semiannually on January 1st and July 1st. The 2009A Bonds are secured and payable from a lien on the net revenues of the District that is subordinate to the lien of any Senior Lien Bonds that may be issued under the master bond ordinance, including the 2010A, 2010B, and 2011A Bonds. The 2009A Bonds are additionally payable from a levy of ad valorem property taxes if net revenues are not sufficient to pay the bonds.

The following is future payment obligations on the bonds, Series 2009A:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
April 30, 2020	\$ 490,000	\$ 652,500	\$ 1,142,500
April 30, 2021	510,000	632,900	1,142,900
April 30, 2022	530,000	612,500	1,142,500
April 30, 2023	555,000	584,675	1,139,675
April 30, 2024	585,000	555,537	1,140,537
April 30, 2025 – 2029	3,410,000	2,288,851	5,698,851
April 30, 2030 – 2034	3,345,000	1,456,293	4,801,293
April 30, 2035 – 2039	<u>3,955,000</u>	<u>612,750</u>	<u>4,567,750</u>
Total	<u>\$13,380,000</u>	<u>\$ 7,396,006</u>	<u>\$20,776,006</u>

- (c) Sangamon County Water Reclamation District, Springfield, Illinois issued \$38,860,000 taxable General Obligation Bonds, Series 2009E, for the purposes of paying for the construction costs for a new treatment plant and facilities upgrade at the District's Spring Creek site, and to pay for the interest and costs related to the issuance of this bond. The bonds were issued pursuant to an authorizing ordinance adopted by the Board of Trustees on January 27, 2009, a master bond ordinance adopted by the Board on June 30, 2009 and the Series 2009E Bond ordinance adopted September 20, 2009. The bonds are dated October 28, 2009 carry an interest rate of 6.22% and mature January 1, 2049. Principal payments ranging from \$2,365,000 to \$2,675,000 are due each January 1st from 2037 to 2049. The bonds shall pay interest semiannually on January 1st and July 1st. The 2009E Bonds are issued on parity with the 2009A Bonds and are secured and payable from a lien on the net revenues of the District that is subordinate to the lien of any Senior Lien Bonds that may be issued under the Master Bond Ordinance, including the 2010A, 2010B, and 2011A Bonds. The 2009E Bonds are additionally payable from a levy of ad valorem property taxes if net revenues are not sufficient to pay the bonds. The District elected to issue the 2009E Bonds as taxable "Build America Bonds" under which, subject to compliance with applicable federal tax regulations, the District will be eligible to receive reimbursement from the United States Government for 35% of the interest expense of the issue. The Budget Control Act of 2011 allows the United States Government to sequester portions of the reimbursement through federal fiscal year 2021. The percentage reduction for federal fiscal year 2016 is 6.9%, making the reimbursement 32.59%.

The following is future payment obligations on the bonds, Series 2009E (before any interest reimbursement):

SANGAMON COUNTY WATER RECLAMATION DISTRICT
Springfield, Illinois

NOTES TO FINANCIAL STATEMENTS - continued
April 30, 2019

Note 7. LONG-TERM LIABILITIES

Bond Issues: - continued

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
April 30, 2020	\$	\$ 2,417,092	\$ 2,417,092
April 30, 2021		2,417,092	2,417,092
April 30, 2022		2,417,092	2,417,092
April 30, 2023		2,417,092	2,417,092
April 30, 2024		2,417,092	2,417,092
April 30, 2025 – 2029		12,085,460	12,085,460
April 30, 2030 – 2034		12,085,460	12,085,460
April 30, 2035 – 2039	7,515,000	11,634,199	19,149,199
April 30, 2040 – 2044	14,825,000	7,977,150	22,802,150
April 30, 2045 – 2049	<u>16,520,000</u>	<u>2,998,973</u>	<u>19,518,973</u>
Total	<u>\$38,860,000</u>	<u>\$58,866,702</u>	<u>\$ 97,726,702</u>

- (d) Sangamon County Water Reclamation District, Springfield, Illinois issued \$37,140,000 Sewer Revenue Taxable Senior Lien Bonds, Series 2010A (Build America Bonds), and \$3,065,000 Sewer Revenue Bonds, Series 2010B dated April 27, 2010, for the purposes of paying for a portion of the costs for a new treatment plant and facilities upgrade at the District's Spring Creek site, for the redemption of the District's outstanding 2009B and 2009C bond series, to fund debt service reserve funds with respect to the 2010 bonds, and to pay interest and costs related to the issuance of these bonds. The bonds were issued pursuant to an authorizing ordinance duly adopted by the Board of Trustees on November 28, 2008 and January 26, 2010, a master bond ordinance duly adopted by the Board on June 30, 2009 and the Series 2010 Bond Ordinance adopted March 30, 2010. Principal payments ranging from \$255,000 to \$2,510,000 are due each January 1st from 2011 to 2036. The bonds carry varying interest rates from 4.098-6.498% for the 2010A Series and 2.50-4.00% for the 2010B Series. The bonds shall pay interest semiannually on January 1st and July 1st. The 2010A and 2010B bonds are secured and payable from a lien on the net revenues of the District as defined in the Master Bond Ordinance. The District elected to issue the 2010A Bonds as taxable "Build America Bonds" under which, subject to compliance with applicable federal tax regulations, the District will be eligible to receive reimbursement from the United States Government for 35% of the interest expense of the issue. The Budget Control Act of 2011 allows the United States Government to sequester portions of the reimbursement through federal fiscal year 2021. The percentage reduction for federal fiscal year 2016 is 6.9%, making the reimbursement 32.59%.

The following is future payment obligations on the bonds, Series 2010A&B (before any interest reimbursement):

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
April 30, 2020	\$ 1,325,000	\$ 1,990,171	\$ 3,315,171
April 30, 2021	1,370,000	1,919,137	3,289,137
April 30, 2022	1,425,000	1,835,417	3,260,417
April 30, 2023	1,480,000	1,748,335	3,228,335
April 30, 2024	1,540,000	1,657,892	3,197,892
April 30, 2025 – 2029	8,690,000	6,770,414	15,460,414
April 30, 2030 – 2034	10,660,000	3,734,075	14,394,075
April 30, 2035 – 2036	<u>4,920,000</u>	<u>482,800</u>	<u>5,402,800</u>
Total	<u>\$31,410,000</u>	<u>\$20,138,241</u>	<u>\$51,548,241</u>

- (e) Sangamon County Water Reclamation District, Springfield, Illinois issued Senior Lien Revenue Bonds, Series 2011-A, in the amount of \$20,120,000 for the purpose of paying a portion of the costs of the Spring Creek Wastewater Treatment Plant (including but not limited to Phase IV), funding reserve accounts for the Series 2011A Bonds, and paying the costs of issuing the Series 2011A Bonds. The bonds were issued pursuant to an authorizing ordinance adopted by the Board of Trustees on January 27, 2009, a master bond ordinance adopted by the Board on June 30, 2009 a Revenue Bond Authorizing Ordinance adopted February 22, 2011, and the Series 2011A Bond Ordinance adopted July 26, 2011. The bonds carry varying interest rates ranging from 2.5-5% and shall pay interest semiannually on January 1st and July 1st.

The following is the future payment obligations on the bonds, Series 2011A:

SANGAMON COUNTY WATER RECLAMATION DISTRICT
Springfield, Illinois

NOTES TO FINANCIAL STATEMENTS - continued
April 30, 2019

Note 7. LONG-TERM LIABILITIES

Bond Issues: - continued

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
April 30, 2020	\$ 660,000	\$ 794,600	\$ 1,454,600
April 30, 2021	<u>15,725,000</u>	<u>771,500</u>	<u>16,496,500</u>
Total	<u>\$16,385,000</u>	<u>\$1,566,100</u>	<u>\$17,951,100</u>

- (f) Sangamon County Water Reclamation District, Springfield, Illinois issued General Obligation (Alternative Revenue Source) and Taxable General Obligation (Alternative Revenue Source) Bonds, Series 2015A and 2015C in the amount of \$24,995,000. The proceeds of the 2015A bonds are expected to be used to finance certain capital improvements in the District including a portion of the costs of the construction of a new Sugar Creek Wastewater Treatment Plant as well as fund interest payments and refund outstanding bonds. The proceeds of the 2015C Bonds are to be used to fund debt service reserve funds for the IEPA loans as well as pay issuance costs and fund interest payments. The bonds are being issued pursuant to an authorizing ordinance adopted by the Board of Trustees of the District on February 24, 2015, a master bond ordinance adopted by the Board on June 30, 2009, and the Bond ordinances adopted on June 30, 2015. The bonds are payable from the net revenues of the System and ad valorem taxes levied within the District. The bonds carry varying interest rates from 4.125% to 5.75%. Semi-annual interest payments are due each July 1 and January 1, with principal repayment beginning in 2033.

The following is the future payment obligations on the bonds, Series 2015A & C:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
April 30, 2020	\$	\$ 1,284,905	\$ 1,284,905
April 30, 2021		1,284,905	1,284,905
April 20, 2022		1,284,905	1,284,905
April 30, 2023		1,284,905	1,284,905
April 30, 2024		1,284,905	1,284,905
April 30, 2025 – 2029		6,424,525	6,424,525
April 30, 2030 – 2034	1,080,000	6,397,225	7,477,225
April 30, 2035 – 2039	3,660,000	5,827,726	9,487,226
April 30, 2040 – 2044	5,725,000	4,828,631	10,553,631
April 30, 2045 – 2049	7,175,000	3,376,525	10,551,525
April 30, 2050 – 2053	<u>7,355,000</u>	<u>1,086,463</u>	<u>8,441,463</u>
Total	<u>\$24,995,000</u>	<u>\$34,365,120</u>	<u>\$59,360,120</u>

Postemployment Benefits Other Than Pensions (OPEB):

Plan Description. The District administers a single-employer defined benefit healthcare plan. Both members of the collective Bargaining Agreement of the Sangamon County Water Reclamation District, Springfield, Illinois and non-union employees are eligible for post-retirement medical coverage. For retirement benefits, the employee must have worked at least 8 years and must be at least 55 years old. Special arrangements may be made under an Early Retirement incentive program. Special subsidies are available for long service employees, as described below.

Benefit Provisions. The Sangamon County Water Reclamation District offers a special retirement subsidy for employees who retire after age 55 with 8 years of service. The District will pay 50% of the full blended premium cost for single coverage. If the employee has over 20 years of service, the District will pay 75% of the full blended premium cost for single coverage. If the employee has over 30 years of service, the District will pay the entire full blended premium cost for single coverage.

Retirees may elect to cover themselves and their spouses, as long as the spouse had been covered for at least one year before the employee retired. The retiree must pay the difference between the "Employee plus spouse" rate and the "Employee only" rate.

Retirees are covered under the post-retirement medical benefit for their natural lives. Spouses of retirees may be covered under the plan as long as the retiree lives, plus 18 additional months ("COBRA coverage") as long as the premiums are paid.

Funding Policy. The current funding policy is to pay post-retirement, medical and insurance benefits for premiums as they occur. The funding policy of the District may be amended by the Board.

SANGAMON COUNTY WATER RECLAMATION DISTRICT
Springfield, Illinois

NOTES TO FINANCIAL STATEMENTS - continued
April 30, 2019

Note 7. LONG-TERM LIABILITIES

Postemployment Benefits Other Than Pensions (OPEB): - continued

Net OPEB (Asset) Liability. The District's net OPEB (asset) liability was measured as of April 30, 2018. The total OPEB liability used to calculate the net OPEB (asset) liability was determined by an actuarial valuation as of that date.

- *Actuarial Assumptions*

. The following are the methods and assumptions used to determine total pension liability at April 30, 2019:

- The **Actuarial Cost Method** used was Projected Unit Credit.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Interest** discount rate as of May 1, 2018: 3.90%, compounded annually.
The interest discount rate as of May 1, 2019: 3.79%, compounded annually.
The Rate of Return on Assets: 3.79%, compounded annually.
- The **Inflation Rate** was assumed to be 2.0%.
- **Projected Salary Increases** were expected to be 2.0%.
- For **Mortality**, headcount-weighted 2006 base rates for the RP-2014 Mortality Table, projected to 2018 by scale MP-2018.
- For **Turnover**, 80% of the Vaughn ultimate table; 100% of the Vaughn select rates for the first three years of employment (50%, 30%, 20% respectively). Sample ultimate rates:

<u>Age</u>	<u>Rate</u>
25	10.88%
30	8.08%
35	6.32%
40	5.20%
45	4.40%
50	3.60%
55 & above	0.00%

- **Retirement Rates** were calculated specifically for the District.

<u>Age</u>	<u>Rate</u>
55	15%
56	6%
57	12%
58	12%
59	8%
60	10%
61	25%
62	25%
63	25%
64	10%
65	33%
66-69	50%
70	100%

- No **Expense**.
- For **Spousal Participation Rate**, 60% of current male Active Employees will be married at retirement; 50% of current female Active Employees will be married. Male spouses are assumed to be two years older than female spouses.
- For the **Health Care Trend Rate**, increases for the LCHP and HMO are as follows:

<u>Year</u>	<u>Medical</u>
2017-2018	5.75%
2018-2019	6.0%
2019-2020	5.5%
2020-2021	5.0%
2021-2022	4.5%
2022-2023	4.0%
2023-2024	3.5%
2024 & thereafter	3.5%

SANGAMON COUNTY WATER RECLAMATION DISTRICT
Springfield, Illinois

NOTES TO FINANCIAL STATEMENTS - continued
April 30, 2019

Note 7. LONG-TERM LIABILITIES

Postemployment Benefits Other Than Pensions (OPEB): - continued

- For **Participation Rate**, 100% of current Active Employees eligible to participate in the post-retirement medical plan will do so.
- For **Medical Costs**, insurance rates were provided by the Office Supervisory of the District. For retirees, monthly costs as of July 1, 2018 are:

	Medical LCHP	Medical HMO
Employee younger than 65	\$1,039	\$980
Employee older than 65	759	725
Spouse younger than 65	956	922
Spouse older than 65	707	667

For retirees, monthly costs as of July 1, 2019 are:

	Medical LCHP	Medical HMO
Employee younger than 65	\$1,046	\$1,011
Employee older than 65	769	748
Spouse younger than 65	962	930
Spouse older than 65	774	688

There is an implicit subsidy for retiree and spousal costs because the costs were developed by combining older, more costly employees, with younger ones, both younger and older than 65.

- Aging Factors**, For the District's medical plans, the following factors are applicable:

Age	Medical (unisex)
55	1.454
60	1.703
64	1.895
65	0.700
70	0.850
75	1.000
80	1.150
85	1.250
90	1.300

- Changes in Net OPEB (Asset) Liability.**

	Total OPEB Liability (A)	Plan Fiduciary Net Position (B)	Net OPEB (Asset) Liability (A) - (B)
Balance April 30, 2018	\$10,086,427	\$	\$10,086,427
Changes for the year:			
Service Cost	558,458		558,458
Interest on Total OPEB Liability	415,151		415,151
Changes in Benefit Terms			
Difference between Expected and Actual Experience	549,226		549,226
Changes of Assumptions	268,157		268,157
Contributions – Employer		388,036	(388,036)
Contributions – Employees			
Net Investment Income			
Benefit Payments including Refunds	(388,036)	(388,036)	
Other (net transfer)			
Net Changes	<u>1,402,956</u>		<u>1,402,956</u>
Balance April 30, 2019	<u>\$11,489,383</u>	\$	<u>\$11,489,383</u>

SANGAMON COUNTY WATER RECLAMATION DISTRICT
Springfield, Illinois

NOTES TO FINANCIAL STATEMENTS - continued
April 30, 2019

Note 7. LONG-TERM LIABILITIES

Postemployment Benefits Other Than Pensions (OPEB): - continued

• **Sensitivity of the Net OPEB (Asset) Liability to Changes in the Discount Rate.**

The following presents the plan's net OPEB (asset) liability, calculated using a Discount Rate of 3.79%, as well as what the plan's OPEB (asset) liability would be if it were calculated using a Discount Rate that is 1% lower or 1% higher:

	1% Lower (2.79%)	Current Discount (3.79%)	1% Higher (4.79%)
Net OPEB Liability	\$13,591,737	\$11,489,383	\$9,830,301

• **OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB.**

For the year ended April 30, 2019, the District recognized OPEB expense of \$388,036. At April 30, 2018, the District reported deferred outflows of resources related to OPEB from the following sources:

<u>Deferred Amounts Related to OPEB</u>	<u>Deferred Outflow of Resources - Net</u>
Deferred Amounts to be Recognized in OPEB Expense in Future Periods:	
Differences between expected and actual experience	\$ 669,108
Changes of assumptions	(188,893)
Total deferred amounts to be recognized in OPEB expense in future periods	(480,215)
OPEB contributions recognized in 2019 expenses	<u>59,242</u>
Total Deferred amounts related to OPEB	\$ <u>420,973</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future periods as follows:

Year Ending April 30	Net Deferred Inflows of Resources
2020	\$ 59,242
2021	59,242
2022	59,242
2023	59,242
2024	105,222
2025	<u>78,783</u>
Total	\$ <u>420,973</u>

Illinois Municipal Retirement Fund Pension Plan

• **Plan Description.**

Sangamon County Water Reclamation District's defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The District's plan is managed by the Illinois Municipal Retirement Fund ("IMRF"), the administrator of a multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at www.imrf.org.

SANGAMON COUNTY WATER RECLAMATION DISTRICT
Springfield, Illinois

NOTES TO FINANCIAL STATEMENTS - continued
April 30, 2019

Note 7. LONG-TERM LIABILITIES

Illinois Municipal Retirement Fund Pension Plan - continued

• **Benefits Provided**

IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

All three IMRF benefit plans have two tiers. Employees hired **before** January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

Employees hired **on or after** January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any of the 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the *lesser* of:

- 3% of the original pension amount, or
- ½ of the increase in the Consumer Price Index of the original pension amount.

• **Employees Covered by Benefit Terms.**

As of December 31, 2018, the following employees were covered by the benefit terms:

	<u>IMRF</u>
Retirees and Beneficiaries currently receiving benefits	86
Inactive Plan Members entitled to but not yet receiving benefits	11
Active Plan Members	<u>66</u>
Total	<u>163</u>

• **Contributions.**

As set by statute, the District's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute required employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The District's annual contribution rate for calendar year 2018 was 14.80%. For the fiscal year ended April 30, 2018, the District contributed \$1,031,506 to the plan. The District also contributed for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

• **Net Pension (Asset) Liability.**

The District's net pension (asset) liability was measured as of December 31, 2018. The total pension liability used to calculate the net pension (asset) liability was determined by an actuarial valuation as of that date.

• **Actuarial Assumptions.**

The following are the methods and assumptions used to determine total pension liability at December 31, 2018:

SANGAMON COUNTY WATER RECLAMATION DISTRICT
Springfield, Illinois

NOTES TO FINANCIAL STATEMENTS - continued
April 30, 2019

Note 7. LONG-TERM LIABILITIES

Illinois Municipal Retirement Fund Pension Plan – continued

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 2.50%.
- **Salary Increases** were expected to be 3.39% to 14.25%, including inflation.
- The **Investment rate of Return** was assumed to be 7.25%.
- **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2017 valuation according to an experience study from years 2014 to 2016.
- For non-disabled retirees, an IMRF specific **mortality** table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
- The **long-term expected rate of return** on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Portfolio Target Percentage</u>	<u>Long-Term Expected Real Rate of Return</u>
Equities	37%	7.15%
International Equities	18%	7.25%
Fixed Income	28%	3.75%
Real Estate	9%	6.25%
Alternative Investments	7%	3.20-8.50%
Cash Equivalents	1%	2.50%
Total	100%	

- There were no benefit changes during this year.
- **Single Discount Rate.**

A Single Discount Rate of 7.25% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits, and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.25%, the municipal bond rate is 3.71%, and the resulting single discount rate is 7.25%.

SANGAMON COUNTY WATER RECLAMATION DISTRICT
Springfield, Illinois

NOTES TO FINANCIAL STATEMENTS - continued
April 30, 2019

Note 7. LONG-TERM LIABILITIES

Illinois Municipal Retirement Fund Pension Plan – continued

• **Changes in Net Pension (Asset) Liability.**

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension (Asset) Liability (A) – (B)
Balance December 31, 2017	\$31,320,153	\$29,504,837	\$1,815,316
Changes for the year:			
Service Cost	533,102		533,102
Interest on Total Pension Liability	2,291,927		2,291,927
Changes in Benefit Terms			
Difference between Expected and Actual Experience of Total Pension Liability	(46,499)		(46,499)
Changes of Assumptions	887,505		887,505
Contributions – Employer		821,146	(821,146)
Contributions – Employees		230,625	(230,625)
Net Investment Income		(1,970,548)	1,970,548
Benefit Payments including Refunds	(2,055,354)	(2,055,354)	
Other (net transfer)		527,031	(527,031)
Net Changes in NPL(A)	<u>1,610,681</u>	<u>(2,447,100)</u>	<u>(4,057,781)</u>
Balance December 31, 2018	<u>\$32,930,834</u>	<u>\$27,057,737</u>	<u>\$5,873,097</u>

• **Sensitivity of the Net Pension (Asset) Liability to Changes in the Discount Rate.**

The following presents the plan's net pension (asset) liability, calculated using a Single Discount Rate of 7.5%, as well as what the plan's net pension (asset) liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	1% Lower (6.25%)	Current Discount (7.25%)	1% Higher (8.25%)
Net Pension Liability	\$9,876,147	\$5,837,097	\$2,552,836

• **Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pension.**

For the year ended April 30, 2019, the District recognized pension expense of \$746,207. At April 30, 2019, the District reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows(Inflows) of Resources
<u>Deferred Amounts Related to Pensions</u>			
Deferred Amounts to be Recognized in Pension Expense in Future Periods:			
Differences between expected an actual experience	\$ 523,288	\$ 88,618	\$ 434,670
Changes of assumptions	700,289	609,870	90,419
Net difference between projects and actual actual earning on pension plan investments	<u>3,734,856</u>	<u>1,822,822</u>	<u>1,912,034</u>
Total deferred Amounts to be recognized in pension expense in future periods	4,958,433	2,521,310	2,437,123
Pension Contributions made subsequent to the measurement date	<u>285,299</u>	<u>_____</u>	<u>285,299</u>
Total Deferred amounts Related to Pensions	<u>\$5,243,732</u>	<u>\$2,521,310</u>	<u>\$2,722,422</u>

SANGAMON COUNTY WATER RECLAMATION DISTRICT
Springfield, Illinois

NOTES TO FINANCIAL STATEMENTS - continued
April 30, 2019

Note 7. LONG-TERM LIABILITIES

Illinois Municipal Retirement Fund Pension Plan – continued

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

<u>Year Ending December 31</u>	<u>Net Deferred Outflow of Resources</u>
2019	\$ 815,943
2020	307,116
2021	366,662
2022	<u>947,402</u>
Total	<u>\$2,437,123</u>

Note 8. CHANGES IN LONG-TERM LIABILITIES

The following is a summary of the long-term liability transactions of the District for the year ended April 30, 2019:

	<u>Balance April 30, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance April 30, 2019</u>
IEPA Wastewater				
Treatment Loans	\$ 89,938,252	\$	\$4,156,176	\$ 85,782,076
General Obligation Bonds	77,920,000		685,000	77,235,000
Revenue Bonds	49,715,000		1,920,000	47,795,000
Premium	1,325,515		37,989	1,287,526
Post Employment				
Benefits	<u>11,901,743</u>	<u>5,460,737</u>		<u>17,362,480</u>
Totals	<u>\$230,800,510</u>	<u>\$ 5,460,737</u>	<u>\$6,799,165</u>	<u>\$229,462,082</u>

Note 9. MULTI EMPLOYER PENSION PLANS

The District contributes to a multiemployer defined benefit pension plan under the terms of a collective-bargaining agreement that covers its union-represented employees. The risk of participating in multiemployer plans is different from single-employer pension plans in the following aspects:

- (a) Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- (b) If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- (c) If the District stops participating in its multiemployer pension plan, it may be required to pay the plan an amount based on the underfunded status of the entire plan, referred to as a withdrawal liability.

The District's participation in the plan for the fiscal year ended April 30, 2019 is outlined in the following table. Information in the table was obtained from the plan's Form 5500 for the most current available filing. These dates may not correspond with the District's fiscal year contributions. The Plan Protection Act (PPA) zone status column ranks the funded status of multiemployer pension plans depending upon a plan's current and projected funding. The zone status is based on information that the District received from the plan. Among other factors, the plan is in the Red Zone (critical) if it has a current funded percentage less than 65%. A plan is in the Yellow Zone (endangered) or Orange Zone (seriously endangered) if it has a current funded percentage of less than 80%, or projects a credit balance deficit within seven years. A plan is in the Green Zone (healthy) if it has a current funded percentage greater than 80% and does not have a projected credit balance deficit within seven years. The Funding Improvement Plan (FIP)/Rehabilitation Plan (RP) status column indicates plans for which a FIP or RP is either pending or in place.

SANGAMON COUNTY WATER RECLAMATION DISTRICT
Springfield, Illinois

NOTES TO FINANCIAL STATEMENTS - continued
April 30, 2019

Note 9. MULTIEMPLOYER PENSION PLANS - continued

The following table lists information about the District's multiemployer pension plan for the year ended April 30, 2019:

Plan Name:

Fund of the International Union of Operating Engineers and Participating Employers

EIN/Pension Plan Number	(1) PPA Status	FIP/RP Status Pending/ Implemented	Company Contributions	Company Contributions > 5% (2)	Expiration Date of CBA (2)
36-6052390 / 001	Green	N/A	\$394,010	No	4/30/2022

(1) The Zoning status represents the most recent available information for the respective multiemployer pension plan, which may be 2018 or earlier for 2019.

(2) Collective Bargaining Agreement (CBA).

The District has no intentions of withdrawing from any of the multiemployer pension plans in which they participate.

Note 10. RESTRICTED CASH AND INVESTMENTS

At April 30, 2019, the District has a restricted cash and investment balance of \$9,111,449 comprised of the following account balances:

Special Assessment	\$ 810,624
Public Benefit	181,118
Sewer Rehabilitation	1,397
Capital Improvement	3,141
Bond and Interest and IEPA Reserve:	
2007A	262,092
2009A	1,502,889
2009E	2,923,729
2010A Principal and Interest	935,265
2010A Reserve	2,622,422
2010B Reserve	13,004
2011A Principal and Interest	273,460
2011A Reserve	1,457,150
2015A Principal and Interest	(1,661,219)
2015C Principal and interest	(367,605)
IEPA Loans	154,495
Capital Improvement – 2015A and C	183
Replacement	(696)
	<u>\$ 9,111,449</u>

Amounts in the Special Assessment and Public Benefit Accounts are restricted by statute to pay for the extension of sewer lines. Upon ordinance adopted by the Board, amounts in the Public Benefit Account may be used for other purposes deemed a public benefit.

The loan agreements and bond ordinances of the District establish certain accounts for the benefit of bond holders and for specific purposes designated in the ordinances. These accounts include:

Bond and Interest: Recently funded to pay principal and interest on the 2007 and 2009 General Obligation Alternate Bonds, the 2010A&B Revenue Bonds, the 2011A Revenue Bonds, and the IEPA loans. Includes amounts deposited from bond proceeds to pay a portion of interest and establish reserve accounts for the 2010A&B Bonds, 2011A&B Bonds, and the IEPA loans.

SANGAMON COUNTY WATER RECLAMATION DISTRICT
Springfield, Illinois

NOTES TO FINANCIAL STATEMENTS - continued
April 30, 2019

Note 10. RESTRICTED CASH - continued

Construction - 2010A and 2010B: Established to pay for the costs of constructing the new Spring Creek wastewater treatment plant.

Capital Improvements: Established to pay for capital improvements, and through Ordinances passed by the Board in 2007 requires the deposit of connection fees received by the District. Portions of Capital Improvement have also been restricted per the 2009 Master Bond Ordinance requiring a minimum balance of \$400,000 for depreciation, repair, and replacement, established for the payment of extraordinary maintenance, necessary repairs and replacements, and ordinary maintenance when no other funds are available.

Sewer Rehabilitation: Used to pay for sewer rehabilitation and lining projects. Balances may be used to meet the minimum balance of \$400,000 for depreciation, repair, and replacement established in the 2009 Master Bond Ordinance.

Amounts in other accounts have been designated by ordinance of the Board.

Note 11. RESTRICTED ACCOUNTS – REQUIRED BY BOND ORDINANCE 2009-29

(a) Bond and Interest – reserve accounts:

	<u>2007A</u>	<u>2009A</u>	<u>2009E</u>
Cash and cash equivalents			
- reserve accounts April 30, 2018	\$ 260,327	\$1,714,832	\$3,149,263
Add (deduct)			
Transfer to Bond and Interest Accounts		1,137,420	1,370,600
Build America Bond Receipts			791,839
Interest Income	2,465	16,237	29,819
Counsel and Reporting fees	(300)	(300)	(300)
Paying Agent Fees	(400)	(400)	(400)
Bond Principal Repayment		(685,000)	
Bond Interest Expense		(679,900)	(2,417,092)
Cash and cash equivalents			
- reserve accounts April 30, 2019	\$ 262,092	\$1,502,889	\$2,923,729

	<u>2010A Principal & Interest</u>	<u>2010A Reserve</u>	<u>2010B</u>	<u>2011A Principal & Interest</u>
Cash and cash equivalents				
- reserve accounts April 30, 2018	\$1,328,654	\$2,622,422	\$ 13,575	\$ 498,206
Add (deduct)				
Transfer to Bond and Interest And IEPA Reserves Accounts	2,233,370			1,212,840
Build America Bond Receipts	674,041			
Interest Income	12,581		129	4,717
Reserve Fund Earnings	24,830			13,797
Counsel and Reporting Fees	(300)		(300)	(300)
Paying Agent Fees	(400)		(400)	(400)
Bond Principal Repayment	(1,280,000)			(640,000)
Bond Interest Expense	(2,057,511)			(815,400)
Cash and cash equivalents				
- reserve accounts April 30, 2019	\$ 935,265	\$2,622,422	\$ 13,004	\$ 273,460

SANGAMON COUNTY WATER RECLAMATION DISTRICT
Springfield, Illinois

NOTES TO FINANCIAL STATEMENTS - continued
April 30, 2019

Note 11. RESTRICTED ACCOUNTS – REQUIRED BY BOND ORDINANCE 2009-29 - continued

	<u>2011A Reserve</u>	<u>2015A Principal & Interest</u>	<u>2015C Principal & Interest</u>	<u>IEPA Loans</u>
Cash and cash equivalents - reserve accounts April 30, 2018	\$ 1,457,150	\$(1,597,904)	\$(215,275)	\$3,262,722
Add (deduct)				
Transfer to Bond and Interest And IEPA Reserve Accounts		1,070,760		2,852,295
Interest Income				30,893
Reserve Fund Earnings				
Counsel and Reporting Fees		(350)	(350)	
Paying Agent Fees		(400)	(400)	
Bond Principal Repayment				(4,114,418)
Bond Interest Expense		(1,133,325)	(151,580)	(1,876,997)
Transfer to IEPA Reserve Fund From General Fund				
Cash and cash equivalents				
- reserve accounts April 30, 2019	<u>\$ 1,457,150</u>	<u>\$(1,661,219)</u>	<u>\$(367,605)</u>	<u>\$ 154,495</u>

(b) Capital improvements accounts:

	<u>Capital Improvement 2011A&B</u>
Cash and cash equivalents - April 30, 2018	\$ 183
Interest Received	
Capital Assets	
Cash and cash equivalents	
April 30, 2019	<u>\$ 183</u>

Note 12. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damages to, and destruction of assets; injuries to employees; and natural disasters. The District carries a broad range of commercial insurance coverage, including business auto liability, general liability, workers' compensation, and an umbrella policy. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Note 13. COMMITMENTS

At April 30, 2019, the District had several unfinished capital construction contracts with various vendors due to ongoing construction projects.

	<u>Total Contract</u>	<u>Billed Amount</u>	<u>Remaining Contract</u>
Crawford, Murphy, & Tilly	\$1,701,637	\$805,486	\$896,151
Insituform	89,741		89,741

SANGAMON COUNTY WATER RECLAMATION DISTRICT
Springfield, Illinois

NOTES TO FINANCIAL STATEMENTS - continued
April 30, 2019

Note 14. *SUBSEQUENT EVENTS*

Management has evaluated subsequent events through June 30, 2019, which is the date the financial statements were available to be issued. Through June 30, 2019, no subsequent events required recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

**SANGAMON COUNTY WATER RECLAMATION DISTRICT
Springfield, Illinois**

**REQUIRED SUPPLEMENTARY INFORMATION
RELATIVE TO ILLINOIS MUNICIPAL RETIREMENT FUND - REGULAR**

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
MOST RECENT CALENDAR YEARS**

Calendar Year Ended <i>December 31</i>	2018	2017	2016	2015
<i>Total Pension Liability</i>				
Service Cost	\$ 533,102	\$ 513,312	\$ 535,233	\$ 507,569
Interest on the Total Pension Liability	2,291,927	2,266,245	2,217,605	2,060,943
Changes of Benefit Terms				
Differences between Expected and Actual				
Experience of the Total Pension Liability	(46,499)	625,333	(151,755)	1,380,495
Changes of Assumptions	887,505	(1,046,745)	(105,249)	34,455
Benefit Payments, including Refunds of				
Employee Contributions	(2,055,354)	(1,995,869)	(1,914,301)	(1,812,097)
<i>Net Change in Total Pension Liability</i>	<u>1,610,681</u>	<u>362,276</u>	<u>581,533</u>	<u>2,171,365</u>
<i>Total Pension Liability - Beginning</i>	<u>31,320,153</u>	<u>30,957,877</u>	<u>30,376,344</u>	<u>28,204,979</u>
<i>Total Pension Liability - Ending (A)</i>	<u>\$32,930,834</u>	<u>\$31,320,153</u>	<u>\$30,957,877</u>	<u>\$30,376,344</u>
<i>Plan Fiduciary Net Position</i>				
Contributions - Employer	\$ 821,146	\$ 764,228	\$ 1,064,596	\$ 907,160
Contributions - Employees	230,625	223,248	203,644	300,105
Net Investment Income	(1,970,548)	4,942,160	1,723,671	121,669
Benefit Payments, including Refunds of				
Employee Contributions	(2,055,354)	(1,995,869)	(1,914,301)	(1,812,097)
Other (Net Transfer)	<u>527,031</u>	<u>(642,896)</u>	<u>24,620</u>	<u>958,637</u>
<i>Net Change in Plan Fiduciary Net Position</i>	<u>(2,447,100)</u>	<u>3,290,871</u>	<u>1,102,230</u>	<u>(475,474)</u>
<i>Plan Fiduciary Net Position - Beginning</i>	<u>29,504,837</u>	<u>26,213,966</u>	<u>25,111,736</u>	<u>24,636,262</u>
<i>Plan Fiduciary Net Position - Ending (B)</i>	<u>27,057,737</u>	<u>29,504,837</u>	<u>26,213,966</u>	<u>25,111,736</u>
<i>Net Position (Asset) Liability – Ending (A)-(B)</i>	<u>\$ 5,873,097</u>	<u>\$ 1,815,316</u>	<u>\$ 4,743,911</u>	<u>\$ 5,264,608</u>
<i>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</i>	82.17%	94.20%	84.68%	82.67%
<i>Covered Valuation Payroll</i>	\$5,125,006	\$4,961,062	\$4,525,303	\$4,609,581
<i>Net Pension Liability as a Percentage of Covered Valuation Payroll</i>	114.60%	36.59%	104.83%	114.21%

Note to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years, However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

SANGAMON COUNTY WATER RECLAMATION DISTRICT
Springfield, Illinois

REQUIRED SUPPLEMENTARY INFORMATION
RELATIVE TO ILLINOIS MUNICIPAL RETIREMENT FUND - REGULAR

SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST FOUR CALENDAR YEARS

<u>Calendar Year Ended December 31</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Valuation Payroll</u>	<u>Actual Contribution as a Percentage of Covered Valuation of Payroll</u>
2015	\$612,613	\$ 907,160	\$(294,547)	\$4,609,581	19.68%
2016	\$683,321	\$1,064,596	\$(381,275)	\$4,525,303	23.53%
2017	\$741,679	\$ 764,228	\$(22,549)	\$4,961,062	15.40%
2018	\$758,501	\$ 821,146	\$(62,645)	\$5,125,006	16.02%

Notes to Schedule:

Summary of Actuarial Methods and Assumptions used in the Calculation of the 2016 Contribution Rate*

Valuation Date:

Notes: Actuarially determined contribution rates are calculated as of December 31 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine 2018 Contribution Rates:

<i>Actuarial Cost Method:</i>	Aggregate entry age = normal
<i>Amortization Method:</i>	Level percentage of payroll, closed
<i>Remaining Amortization Period:</i>	Non-Taxing bodies: 10-year rolling period. Taxing bodies (Regular, SLEP, and ECO groups): 25-year closed period until remaining period reaches 15 years (then 15-year rolling period). Early Retirement Incentive plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI. SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 20 years for most employers (two employers were financed over 29 years).
<i>Asset Valuation Method:</i>	5 year smoothed market; 20% corridor
<i>Wage Growth:</i>	3.5%
<i>Price Inflation:</i>	2.75%, approximate; No explicit price inflation assumption is used in this valuation
<i>Salary Increases:</i>	3.75% to 14.5%, including inflation
<i>Investment Rate of Return:</i>	7.50%
<i>Retirement Age:</i>	Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2014 valuation pursuant to an experience study of the period 2011 to 2013.
<i>Mortality:</i>	For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustments that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Other Information:

Notes: There were no benefit changes during the year.

*Based on Valuation Assumptions used in the December 31, 2016, actuarial valuation.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

OTHER SUPPLEMENTAL DATA (UNAUDITED)

SANGAMON COUNTY WATER RECLAMATION DISTRICT
Springfield, Illinois

SCHEDULE OF ASSESSED VALUATIONS, RATES
EXTENSIONS AND COLLECTIONS
(Unaudited)
Tax Years 2018 and 2017

	<u>2018 Taxes</u> <u>Payable in 2019</u>	<u>2017 Taxes</u> <u>Payable in 2018</u>
<i>Assessed Valuation</i>	<u>\$3,120,790,319</u>	<u>\$3,062,970,651</u>
<i>Estimated Actual Value</i>	<u>\$9,362,370,957</u>	<u>\$9,188,911,953</u>
<i>Tax Rates:</i>		
General	.0510	.0571
Illinois municipal retirement	.0247	.0225
Sewer treatment	.0084	.0086
Social security	<u>.0129</u>	<u>.0077</u>
<i>Total</i>	<u>.0970</u>	<u>.0959</u>
<i>Extensions:</i>		
General	\$1,591,603	\$1,748,956
Illinois municipal retirement	770,835	689,168
Sewer treatment	262,146	263,415
Social security	<u>402,582</u>	<u>235,849</u>
<i>Total</i>	<u>\$3,027,166</u>	<u>\$2,937,388</u>
<i>Collections:</i>		<u>\$2,839,137</u>

BILLABLE WATER FLOWS

Number of customers	61,120
Number of units	5,789,468
1 unit is equal to 748 gallons	
Gallons billed for calendar year 2018	4,330,522,064

SANGAMON COUNTY WATER RECLAMATION DISTRICT
Springfield, Illinois

RATE INCREASES AND RATE SCHEDULE
For the Year Ended April 30, 2019

	Fiscal Years Ending April 30,										
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Rate 1a – Suburban Springfield Base User Charge											
User Charge (per CCF)	\$ 1.32	\$ 1.73	\$ 2.27	\$ 2.98	\$ 3.90	\$ 4.14	\$ 4.39	\$ 4.65	\$ 4.93	\$ 4.93	4.93
Service Charge (monthly)	3.16	4.14	5.44	7.13	9.36	9.93	10.52	11.15	11.82	11.82	11.82
Collection Charge	.50	.50	.50	.50	.50	.50	.50	.50	.50	.50	.50
Rate 1b – City of Springfield Baser User Charge											
User Charge (per CCF) net	.66	.87	1.14	1.49	1.95	2.07	2.20	2.33	2.47	2.47	2.47
Service charge (monthly)	1.58	2.07	2.72	3.57	4.68	4.97	5.26	5.58	5.91	5.91	5.91
Collection Charge	.25	.25	.25	.25	.25	.25	.25	.25	.25	.25	.25
Rate 1c – District Base User Charge											
User Charge (per CCF) net	.66	.87	1.14	1.49	1.95	2.07	2.20	2.33	2.47	2.47	2.47
Service Charge (monthly)	1.58	2.07	2.72	3.57	4.68	4.97	5.26	5.58	5.91	5.91	5.91
Collection Charge	.25	.25	.25	.25	.25	.25	.25	.25	.25	.25	.25
Rate 1d – District Unmetered User Charge											
Within Springfield	4.51	5.76	7.41	9.59	12.40	13.11	13.87	14.87	15.52	15.52	15.52
Outside of Springfield	14.29	18.60	24.26	31.70	41.45	43.91	46.52	49.28	52.20	52.20	52.20
Rate 1e – Surcharge											
BOD Surcharge	.07	.09	.11	.15	.20	.21	.22	.23	.25	.25	.25
TSS Surcharge	.09	.12	.16	.21	.27	.29	.31	.33	.34	.34	.34
Base User Charge	.13	.17	.23	.30	.39	.41	.44	.46	.49	.49	.49
BOD Surcharge	.03	.03	.05	.06	.08	.08	.09	.09	.10	.10	.10
TSS Surcharge	.03	.03	.05	.06	.08	.08	.09	.09	.10	.10	.10

SANGAMON COUNTY WATER RECLAMATION DISTRICT
Springfield, Illinois

SCHEDULE OF REVENUES AND EXPENSES REQUIRED BY ORDINANCE 2009-29
For the Year Ended April 30, 2019

	Statement of Revenues and Expenses	Public Benefits	Less Special Assessments	Other Adjustments	Required by Ordinance 2009-29
Operating Revenues:					
Sewer service charges	\$21,551,629	\$	\$	\$	\$21,551,629
Sewer permits	236,169				236,169
Special waste fees	189,477				189,477
Lab fees	18,890				18,890
Low pressure system payments	130,511	(130,511)			
Annexation fees	1,479	(1,479)			
Total operating revenues	<u>22,128,155</u>	<u>(131,990)</u>			<u>21,996,165</u>
Operating Expenses					
Plant operations	8,885,948	(734)			8,885,214
Pump station operations	1,136,192				1,136,192
Sewer operations	499,283				499,283
Management and administration	4,752,696				4,752,696
Depreciation	3,294,994			(3,294,994)	
Total operating expenses	<u>18,569,113</u>	<u>(734)</u>		<u>(3,294,994)</u>	<u>15,273,385</u>
Operating gain (loss)	<u>3,559,042</u>	<u>(131,256)</u>		<u>3,294,994</u>	<u>6,722,780</u>
Non-operating Revenues (Expenses)					
Property taxes	2,947,166				2,947,166
Federal receipts	1,457,958			(1,457,958)	
Illinois replacement taxes	359,132				359,132
Interest income	194,688	(6,718)	(3,296)		184,674
Rental income	17,838				17,838
Refunds, reimbursements, and miscellaneous	(2,111)				(2,111)
Interest expense	(7,969,048)			7,969,048	
Bond costs	(6,200)			6,200	
Total non-operating revenues (expenses)	<u>(3,000,577)</u>	<u>(6,718)</u>	<u>(3,296)</u>	<u>6,517,290</u>	<u>3,506,699</u>
Change in Net Assets	<u>\$ 558,465</u>	<u>\$ (137,974)</u>	<u>\$ (3,296)</u>	<u>\$9,812,284</u>	<u>\$10,229,479</u>