

***SANITARY DISTRICT OF DECATUR***

***ANNUAL FINANCIAL REPORT***

***For the fiscal year ended April 30, 2022***



# SANITARY DISTRICT OF DECATUR

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## INDEPENDENT AUDITORS' REPORT

**Board of Trustees  
Sanitary District of Decatur  
Decatur, Illinois**

### **Opinion**

We have audited the accompanying financial statements of the Sanitary District of Decatur, as of and for the years ended April 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Sanitary District of Decatur's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sanitary District of Decatur as of April 30, 2022 and 2021, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Sanitary District of Decatur and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Sanitary District of Decatur's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

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

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

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

## **Required Supplementary Information**

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

### Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards, as required by the Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management, was derived from, and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2022, on our consideration of the Sanitary District of Decatur's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Sanitary District of Decatur's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Sanitary District of Decatur's internal control over financial reporting and compliance.

*MCK CPAs & Advisors*

Decatur, Illinois  
October 4, 2022

**SANITARY DISTRICT OF DECATUR  
REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**April 30, 2022**

The Sanitary District of Decatur (the District) is presenting the following discussion and analysis to provide an overall review of the District's financial activities for the fiscal year ended April 30, 2022. We encourage readers to consider the information in conjunction with the District's financial statements and notes to the financial statements to enhance their understanding of the District's financial performance.

**Background Information**

The Sanitary District of Decatur was organized under the Sanitary District Act of 1917. The District serves a population of roughly 82,100 in an area of approximately 30 square miles. For the years ended April 30, 2022 and 2021, approximately 31,100 and 32,000 customers, respectively, were billed a user charge based on their water consumption, solids, ammonia, and oxygen demanding waste; except for a few users which are billed on metered discharge rather than water purchased. Customers are divided into three categories: residential, commercial/domestic, and industrial. While residential customers are the largest group in number, the industrial customers account for about two-thirds of the District's user charges.

In FY 2022, the District budgeted for sixty (60) full-time positions which was the same as FY 2021. All the budgeted positions were not filled the entire year due to retirements and other turnover and the extended length of the hiring process for qualified employees.

The District treated a maximum flow of 90.44 million gallons per day (MGD) in FY 2022 down from 97.15 MGD in FY 2021. The average flow was 35.94 MGD in FY 2022 and 33.18 MGD in FY 2021. The plant is designed for 41 MGD during dry weather flow and maximum capacity of 125 MGD during wet weather events.

The District's National Pollutant Discharge Elimination System (NPDES) permit, effective October 1, 2021, finally incorporated a 2019 site-specific rule from the Illinois Pollution Control Board allowing the District to discharge more nickel than the state Water Quality Standard due to the specific circumstances in the receiving stream. The District is now in compliance with all U.S. Environmental Protection Agency (USEPA) and Illinois Environmental Protection Agency (IEPA) permit requirements and regulations.

**Financial Highlights**

- During FY 2022 the District's net position increased \$ 15,712,721 representing an increase of 11.4%. During FY 2021, the District's net position increased \$ 10,151,054 representing an increase of 8.0%
- During FY 2022, operating expenses decreased by (\$ 2,748,385) or (34.8%). This decrease was mainly due to changes in pension expense in FY 2022 compared to FY 2021, which was the result of actuarial adjustments to the Net Pension Liability/Asset of \$ 5,270,534, including the effect of investment earnings on the assets held in trust. Contractual / outside service expenses also decreased significantly because of the amount of biosolids being removed was reduced as the District repaired one of the storage lagoons.

## **Financial Highlights, continued**

- Operating revenue for FY 2022 increased \$ 3,335,997 because revenue from industrial user fees were higher than normal due to additional flow sent to the District and penalties paid by industrial users remained higher than normal. Nonoperating revenue from Replacement Taxes increased by \$ 623,406 and total revenues for FY 2022 increased \$ 3,761,418 from FY 2021.

## **Overview of the Financial Statements**

Management's Discussion and Analysis serves as an introduction to, and should be read in conjunction with, the basic audited financial statements and supplementary information. The financial statements also include notes that explain in detail some of the information in the financial statements.

## **Required Financial Statements**

The financial statements of the District report information about the District using accounting methods like those used by the private sector companies. These statements offer short and long-term information about the District's overall financial status.

The Statement of Net Position presents information on all the District's assets, deferred outflows, liabilities and deferred inflows, and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors such as changes in economic conditions, population growth, and new or changed government legislation also need to be considered.

The revenue and expenses for each year are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the District's operations over each year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities, and provides answers to such questions as what the source of cash is, what was cash used for, and what was the change in the cash balance during the reporting period.

## Financial Analysis of the District

A summary, in thousands, of the District's Statements of Net Position are presented below.

	FY 2022	FY 2021	FY 2020	2022 vs 2021	
				Dollar Change	Percent Change
Current and other assets	\$ 95,386	81,826	70,540	13,560	16.6%
Capital assets, net of accumulated depreciation	103,335	95,020	99,232	8,315	8.8
Deferred outflows	1,085	1,129	2,153	(44)	(3.9)
<b>Total assets and deferred outflows</b>	<b>199,806</b>	<b>177,975</b>	<b>171,925</b>	<b>21,831</b>	<b>12.3</b>
Outstanding debt	37,358	33,005	37,283	4,353	13.2
Other liabilities and deferred inflows	9,080	7,314	7,138	1,766	24.1
<b>Total liabilities and deferred inflows</b>	<b>46,438</b>	<b>40,319</b>	<b>44,421</b>	<b>6,119</b>	<b>15.2</b>
Net investment in capital assets	65,977	62,015	61,949	3,962	6.4
Restricted for pension and OPEB	87,391	75,640	66,555	11,751	15.5
Unrestricted					
<b>Total net position</b>	<b>\$ 153,368</b>	<b>137,655</b>	<b>127,504</b>	<b>15,713</b>	<b>11.4</b>

For FY 2022, the increase in net position was due to assets increasing more than liabilities. The main factors causing the change in position was the accumulation of cash to pay for future capital asset improvements and pension related activities. The pension activities asset increased due to actuarial adjustments and investment earnings on assets held in trust.

Deferred Outflows are related to pension fund investment returns.

Outstanding debt increased in FY 2022 as the District funded the lining of the South Shores Interceptor, which will extend the life of the asset by over 50 years, with a 20-year IEPA loan.



## Financial Analysis of the District, continued

While the Statement of Net Position shows the change in financial position, the Statement of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes. The table below reflects the past two years changes, in thousands.

	FY 2022	FY 2021	FY 2020	2022 vs 2021	
				Dollar Change	Percent Change
Operating revenues	\$ 22,291	18,955	18,125	3,336	17.6
Nonoperating revenues	5,134	4,709	5,903	425	9.0
<b>Total revenues</b>	<b>27,425</b>	<b>23,664</b>	<b>24,028</b>	<b>3,761</b>	<b>15.9</b>
Operating expenses	5,148	7,897	7,336	(2,749)	(34.8)
Depreciation expense	5,017	5,044	4,619	(27)	(0.5)
Nonoperating expense	1,547	572	654	975	170.5
<b>Total expenses</b>	<b>11,712</b>	<b>13,513</b>	<b>12,609</b>	<b>(1,801)</b>	<b>(13.3)</b>
Changes in net position	15,713	10,151	11,420	5,562	54.8
Beginning net position	137,655	127,504	116,084	10,151	8.0
<b>Total net position</b>	<b>\$ 153,368</b>	<b>137,655</b>	<b>127,504</b>	<b>15,713</b>	<b>11.4%</b>

The major factors for FY 2022 which contributed to these results include:

- The increase in operating revenues was the result of revenue from industrial user fees and penalties due to higher than anticipated flow and several pretreatment violations that caused escalating and multiple day penalties.
- The increase in operating expenses was mainly due to changes in pension costs and reduced land application of biosolids.
- Nonoperating revenues increased because of higher-than-normal Replacement Tax revenue.

### Capital Assets

At the end of fiscal years 2022 and 2021, the District had \$ 103,335,094 and \$ 95,019,914 invested in capital assets (net of depreciation), respectively. As of April 30, 2022, the District had various contracts for construction projects and engineering projects with outstanding commitments totaling \$ 9,967,210. The District is obligated to pay the cost under these contracts as the work is completed.

## **Debt Administration**

As of April 30, 2022, the District has outstanding loans from the Illinois Revolving Loan in the amount of \$ 37,358,151 of which the principal and interest due in the upcoming fiscal year are \$ 2,401,781 and \$ 579,105, respectively. On April 30, 2021, the District had outstanding loans from the Illinois Revolving Loan and Debt Certificates with Hickory Point Bank in the amount of \$ 33,004,699. It is anticipated that the Revolving Loan Fund will continue to be used to fund future projects.

## **Budgetary Highlights**

The District adopts an annual combined budget following presentation to the Board of Trustees and public notification and a public hearing. These budgets outline the estimated expenditures and the means of financing them. The District's budget may be revised throughout the year, after Board of Trustees' approval.

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

The District considers many factors when setting the fiscal year budget, user fees and charges. User charge rates generally reflect inflationary pressure on salaries and related personnel expenses, supplies and utilities. Additional consideration is given to the amount of capital improvements and replacements needed for the current fiscal year.

Domestic, commercial, and minor industrial classes generate approximately 22% of the billable flow. The decrease in the amount of billable flow from this class of customer is not proportional to a decrease in usage but is caused by an increase in usage by industrial customers.

Demand for services provided by the District tends to be inelastic due to the nature of the service and the agricultural sector focus of the industrial customers.

Fluctuations in the unemployment rate and the number of workers in the market has been dramatically impacted by the coronavirus pandemic. The unemployment rate in the Decatur Metropolitan Statistical Area decreased to 7.0% in April 2022 from 7.7% in April of 2021 and the record high of 14.6% in April 2020. Unemployment in the Decatur area is higher than the State average of 4.6%.

The influence of the Midwest Inland Port continues to expand the attractiveness of Decatur as a destination for warehouse and distribution jobs in addition to industries aligned with the agricultural sector. The Mueller Company is nearing completion of a new foundry in Decatur to replace their century old location. There has been some interest in new development of manufacturing facilities that use renewable agricultural products in new innovative ways. Most development does not appear to be a significant source of new user fees for the District but helps stabilize the declining population and taxable property values of the District.

The major industrial user class generates more than 78% of the billable flow. Industrial user volume has increased in recent years as the amount of water required has fluctuated with changing product production to meet consumer needs. The amount of billable flow can be expected to decrease in the future as more energy efficient water reuse technology is developed.

The inconsistent financial management by the State of Illinois does not have a direct impact on the District because less than two percent (2%) of total revenue comes directly from the State.

**Economic Factors and Next Year's Budget and Rates, continued**

Domestic user charge rates are listed below:

	Domestic User Charge Rates					
	Projected FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018
Cost per 100 cu. ft.	\$ 1.80	1.70	1.60	1.51	1.46	1.43
Average annual costs per user's household	\$ 174.58	163.16	154.62	146.94	139.67	137.10

The District's long-range financing plan projects user fees to be increased by three cents (\$ 0.03) to ten cents (\$ 0.10) per 100 cubic feet per year through 2040. This includes a projected increase of ten cents (\$ 0.10) in FY 2023 to keep pace with increasing expenses and to provide funding for the Regulatory Compliance Fund. The Regulatory Compliance Fund was established to accumulate funds required to pay for anticipated expenses required to comply with nutrient reduction and other regulatory enhancements in the District's NPDES permit. Capital costs for regulatory compliance is not incorporated into the projections until the financial impact can be determined.

**DISTRICT CONTACT INFORMATION**

This financial report is designed to provide our customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Kent D. Newton, CPFO, Executive Director/CFO, Sanitary District of Decatur, 501 Dipper Lane, Decatur, Illinois 62522 or by telephone at (217) 442-6931, ext. 213, or by email at [kentn@sddcleanwater.org](mailto:kentn@sddcleanwater.org).

**SANITARY DISTRICT OF DECATUR**

**STATEMENTS OF NET POSITION**

**April 30, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b><u>ASSETS</u></b>		
Current assets:		
Cash and cash equivalents	\$ 45,189,026	40,660,923
Investments	23,176,630	21,129,293
Receivables, net	10,217,178	7,062,366
Prepaid expenses	55,719	59,697
Notes receivable - Village of Oreana, current portion	137,803	137,803
Notes receivable - Argenta Sanitary District, current portion	130,138	130,138
	<hr/>	<hr/>
Total current assets	78,906,494	69,180,220
Noncurrent assets:		
Net pension asset	9,537,821	5,435,979
Capital assets, net of accumulated depreciation	103,335,094	95,019,914
Notes receivable - Village of Oreana, less current portion	2,633,423	2,771,226
Notes receivable - Argenta Sanitary District, less current portion	4,307,768	4,437,906
	<hr/>	<hr/>
Total noncurrent assets	119,814,106	107,665,025
	<hr/>	<hr/>
TOTAL ASSETS	198,720,600	176,845,245
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>		
Deferred outflows related to pensions	1,085,310	1,129,266
	<hr/>	<hr/>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,085,310	1,129,266
	<hr/>	<hr/>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 199,805,910</b>	<b>177,974,511</b>
	<hr/>	<hr/>

See Notes to Financial Statements.

	2022	2021
<b><u>LIABILITIES</u></b>		
Current liabilities:		
Accounts payable, including retainage of \$ 65,930 and \$ 80,066, respectively	\$ 3,223,975	1,123,814
Accrued expenses	389,501	392,427
Accrued interest	137,766	135,732
Debt certificates, current maturities		169,069
Notes payable, current maturities	2,401,781	2,081,381
	<u>6,153,023</u>	<u>3,902,423</u>
Total current liabilities		
Long-term liabilities:		
Notes payable, less current maturities	34,956,370	30,754,249
Total OPEB liability	1,311,127	1,683,530
	<u>36,267,497</u>	<u>32,437,779</u>
Total long-term liabilities		
	<u>42,420,520</u>	<u>36,340,202</u>
TOTAL LIABILITIES		
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
Deferred inflows related to pensions	75,565	122,578
Subsequent year's property taxes	3,941,781	3,856,408
	<u>4,017,346</u>	<u>3,978,986</u>
TOTAL DEFERRED INFLOWS OF RESOURCES		
<b><u>NET POSITION</u></b>		
Net investment in capital assets	65,976,943	62,015,215
Unrestricted	87,391,101	75,640,108
	<u>153,368,044</u>	<u>137,655,323</u>
TOTAL NET POSITION		
	<u>\$ 199,805,910</u>	<u>177,974,511</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		

**SANITARY DISTRICT OF DECATUR**

**STATEMENTS OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION**

**Years ended April 30, 2022 and 2021**

	2022	2021
<b>Operating revenues:</b>		
Industrial user charges and penalties	\$ 16,876,464	14,001,293
User charges	4,782,890	4,456,565
Annexations	95,272	7,161
Pump stations	127,173	123,352
Miscellaneous	409,235	366,666
	<u>22,291,034</u>	<u>18,955,037</u>
<b>Operating expenses:</b>		
Personnel services	532,182	2,543,109
Operations and maintenance	3,594,105	3,443,415
Building and grounds	354,861	342,356
Contractual/outside services	179,209	1,019,138
Depreciation expense	5,017,439	5,043,590
General and administrative expenses	487,958	548,682
	<u>10,165,754</u>	<u>12,940,290</u>
Operating income	<u>12,125,280</u>	<u>6,014,747</u>
<b>Nonoperating revenues (expenses):</b>		
Property taxes	3,873,059	3,887,434
Replacement taxes	1,151,833	528,427
State funding		1,092
Net investment income (loss)	(1,020,360)	233,467
Interest expense	(526,305)	(572,378)
Gain on disposal of assets	52,510	
Other income-interest on loans	56,704	58,265
	<u>3,587,441</u>	<u>4,136,307</u>
Change in net position	15,712,721	10,151,054
Net position, beginning	<u>137,655,323</u>	<u>127,504,269</u>
Net position, ending	<u>\$ 153,368,044</u>	<u>137,655,323</u>

See Notes to Financial Statements.

**SANITARY DISTRICT OF DECATUR**

**STATEMENTS OF CASH FLOWS**

**Years ended April 30, 2022 and 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers and users	\$ 19,347,493	18,524,682
Payments to suppliers	(2,511,994)	(5,205,019)
Payments to employees	(5,012,410)	(5,215,640)
<b>Net cash flows from operating activities</b>	<b>11,823,089</b>	<b>8,104,023</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Property tax receipts	3,873,059	3,887,434
Replacement tax receipts	1,015,988	437,065
<b>Net cash flows from noncapital financing activities</b>	<b>4,889,047</b>	<b>4,324,499</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of capital assets	(13,349,709)	(831,136)
Proceeds from sales of capital assets	69,600	
Principal payments on notes payable and debt certificates	(2,250,449)	(4,278,348)
State funding		1,092
Proceeds from notes payable and debt certificates	6,603,901	
Interest paid on notes payable and debt certificates	(524,271)	(527,426)
Payments received on notes receivable	267,941	260,940
Interest received on notes receivable	56,704	58,265
<b>Net cash flows from capital and related financing activities</b>	<b>(9,126,283)</b>	<b>(5,316,613)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale and maturity of investments	2,250,000	11,613,174
Purchase of investments	(5,724,027)	(1,955,678)
Interest income received	416,277	660,208
<b>Net cash flows from investing activities</b>	<b>(3,057,750)</b>	<b>10,317,704</b>
Net increase in cash and cash equivalents	4,528,103	17,429,613
Cash and cash equivalents at beginning of year	40,660,923	23,231,310
Cash and cash equivalents at end of year	<b>\$ 45,189,026</b>	<b>40,660,923</b>

See Notes to Financial Statements.

**SANITARY DISTRICT OF DECATUR**

**STATEMENTS OF CASH FLOWS (Continued)**  
**Years ended April 30, 2022 and 2021**

	2022	2021
<b>RECONCILIATION OF OPERATING INCOME TO</b>		
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Net operating income	\$ 12,125,280	6,014,747
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	5,017,439	5,043,590
Effects of changes in operating assets and liabilities:		
Receivables	(2,943,541)	(430,355)
Prepaid expenses	3,978	3,912
Accounts payable	2,100,161	144,660
Accrued expenses	(2,926)	(23,316)
Net pension liability (asset)	(4,101,842)	(3,688,978)
Total OPEB liability (asset)	(372,403)	88,635
Deferred outflows of resources for pension	43,956	1,024,186
Deferred inflows of resources for pension	(47,013)	(73,058)
<b>Net cash flows from operating activities</b>	<b>\$ 11,823,089</b>	<b>8,104,023</b>

See Notes to Financial Statements.



## SANITARY DISTRICT OF DECATUR

### NOTES TO FINANCIAL STATEMENTS

April 30, 2022 and 2021

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#### Note 1 - Summary of Significant Accounting Policies

Sanitary District of Decatur (the District) was incorporated in 1917 under the provisions of the Sanitary District Act for the purpose of providing wastewater services to a geographic area which includes Decatur, Illinois and annexed areas surrounding the city. Revenues are generated from wastewater services provided for the constituents of the District, supplemented by real estate taxes, grants, investment earnings, and an allocated portion of state of Illinois replacement taxes.

**Reporting Entity:** In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the Codification of Governmental Accounting and Financial Reporting Standards, Section 2100. The financial reporting entity consists of (a) the primary government, the Sanitary District of Decatur, which has a separately appointed governing body, is legally separate and fiscally independent of other state and local governments, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The District is an independent special purpose government in that it has the authority to determine its budget, set rates or levy taxes, and issue bonded debt without approval by another government.

There are no component units of the Sanitary District of Decatur nor is the Sanitary District of Decatur dependent on any other entity.

**Financial Statement Presentation and Basis of Accounting:** The District operates as a proprietary fund in which the intent of the District is to recover its operating costs, including depreciation, through the use of industrial and residential user charges and tax levies within. Within this fund, the District maintains subfunds to account for specific resources and expenses. The accounting records of the District are maintained on the cash method of reporting revenue and expenses, and are adjusted at year-end to the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

The District recognizes user charge revenues when the service is provided. Monthly cycle billing is utilized for industrial users; residential and small commercial customers are billed on quarterly cycles. Unbilled receivables have been estimated at April 30, 2022. User charge rates are intended to generate revenues equivalent to estimated operating and replacement costs.

State of Illinois replacement taxes are recognized as revenue when the underlying exchange transaction has occurred.

Permit income and other miscellaneous revenues are recorded as revenues when received because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available. Charges for services are recognized when the service is performed as they are measurable and available.

## SANITARY DISTRICT OF DECATUR

### NOTES TO FINANCIAL STATEMENTS (Continued)

April 30, 2022 and 2021

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#### Note 1 - Summary of Significant Accounting Policies, continued

**Use of Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources, and liabilities and deferred inflows of resources, and disclosure of contingent assets and deferred outflows of resources and liabilities and deferred inflows of resources at the date of the financial statements and the reported amounts of revenues, expenses and changes in net position during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents:** For the purposes of the statements of cash flows, all short-term investments with a maturity at the date of purchase of three months or less are considered to be cash equivalents.

**Investments:** Investments are stated at estimated fair value, and are composed of certificates of deposit and U.S. treasury notes. The types of investments allowed are regulated by Illinois state laws and include municipal bonds, U.S. government or Illinois obligations, insured deposits or other investments of state or national banks, Federal National Mortgage Association obligations, Public Treasurer's Investment Pool and agreements collateralized by securities or mortgages in an amount at least equal to the market value of the funds deposited.

**User Charges Receivable:** User charges receivable include both billed and unbilled services for residential and industrial customers in the Decatur area. The receivables are uncollateralized customer obligations which generally require payment within twenty days from the invoice date. Accounts receivable are stated at the invoice amount plus delinquency fees.

Account balances with invoices over twenty days old are considered delinquent and charged a 5% late fee. The District has the right to file a lien against the property. Payments of accounts receivable are applied to the specific invoices identified on the customer's remittance advice or, if unspecified, to the earliest unpaid invoices.

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. The allowance for doubtful accounts is based on management's assessment of the collectability of specific customer accounts and the aging of the accounts receivable. If there is a deterioration of a major customer's credit worthiness or actual defaults are higher than the historical experience, management's estimates of the recoverability of amounts due the District could be adversely affected. All accounts or portions thereof deemed to be uncollectible, or to require an excessive collection cost, are written off to bad debt expense.

**SANITARY DISTRICT OF DECATUR**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**April 30, 2022 and 2021**

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**Note 1 - Summary of Significant Accounting Policies, continued**

**Capital Assets:** Capital assets are defined by the District as assets with an initial cost equal to or more than \$ 5,000 through April 30, 2018. As of May 1, 2018, the District increased its capitalization threshold to include initial costs equal to or more than the amounts listed below. Land, buildings, improvements, infrastructure, and machinery and equipment acquired or constructed prior to May 1, 2002, are valued at estimated cost. All other additions since this date are valued at historical cost. Depreciation is provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Amount</u>	<u>Useful Life</u>
Land	\$ 25,000	Nondepreciable
Land improvements	50,000	20 years
Buildings and improvements	50,000	20 to 50 years
Infrastructure	150,000	50 years
Machinery and equipment	10,000	5 to 15 years

Construction in progress includes costs incurred for various additions, improvements and modifications to existing capital assets during the year for which the project was incomplete at year-end. Depreciation is not provided until the project is completed and placed in service.

Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. Interest of \$ 7,099 and \$ -0- was capitalized in fiscal years 2022 and 2021, respectively.

**Compensated Absences:** District personnel earn vacation time in varying amounts depending on length of service with the District. Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. In accordance with accounting standards, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

**Deferred Outflows of Resources:** The District reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its statements of net position. The District has two types of deferred outflows of resources, which occurs related to its pension and other post-employment benefits (OPEB) plans. The District has deferred outflows related to pension and OPEB expenses to be recognized in future periods.

**Deferred Inflows of Resources:** The District reports a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period. The District will not recognize the related revenue until a future event occurs. The District has two types of items which occur related to revenue recognition. The District has property tax receivables, which are recorded in the current year, but the revenue will be recorded in the subsequent year and for pension differences between expected and actual experience.

## SANITARY DISTRICT OF DECATUR

### NOTES TO FINANCIAL STATEMENTS (Continued)

April 30, 2022 and 2021

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#### Note 1 - Summary of Significant Accounting Policies, continued

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

**Property Taxes:** Property taxes attach as an enforceable lien on all assessable real property located within the boundaries of the District as of each January 1. Taxes are levied on or about May 1 and payable in two installments on or about June 1 and September 1. The County of Macon bills and collects the taxes for the District, and the District receives significant property tax distributions during the months of June, July, and September.

At year-end, the District records a receivable for property taxes levied and records deferred inflows for the full amount to match the revenue recording with the period in which the monies will actually be received and used. The receivable and deferral are recorded at 99% of the levy as history has shown that 99% or more of the levy is collected.

#### Note 2 - Deposits and Investments

The District has adopted a formal investment policy approved by the Board of Trustees and management. The District is authorized by its policy to make deposits or investments in a manner, which will provide the maximum security at the highest investment return while meeting the daily cash flow demands of the District and conforming to all state and local statutes and ordinances governing the investment of public funds. The investment policy applies to all financial assets of the District. The District may invest in any type of security allowed by Illinois law, including savings accounts, money market accounts, commercial paper, State Treasurer's Investment Pool (The Illinois Funds), money market mutual funds, repurchase agreement, certificates of deposit, and time deposits constituting direct obligations of any bank as defined by the Illinois Banking Act and only those insured by the FDIC; bonds, notes, and obligations guaranteed by the full faith and credit of the United States as to principal and interest.

At April 30, 2022, the carrying value of the District's deposits including cash and money markets were \$ 45,188,926 and the respective bank balances totaled \$ 45,951,130. At April 30, 2021, the carrying value of the District's deposits including cash and money markets were \$ 40,660,823 and the respective bank balances totaled \$ 41,001,605.

## SANITARY DISTRICT OF DECATUR

### NOTES TO FINANCIAL STATEMENTS (Continued)

April 30, 2022 and 2021

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#### Note 2 - Deposits and Investments, continued

**Interest Rate Risk:** Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. The District will minimize interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. By investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio in accordance with this policy the District will also minimize interest rate risk. The District's formal investment policy states the portfolio shall remain sufficiently liquid to meet all operating costs, which may be reasonably anticipated. Portfolios are structured so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). The portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). A portion of the portfolio may be placed in money market mutual funds or local government investment pools which offer same-day liquidity for short-term funds.

**Credit Risk:** Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligation. The standard of prudence to be used by the District shall be the "prudent person" standard, which states:

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the possible income to be derived.

The above standard is established as the standard for professional responsibility and shall be applied in the context of managing the District's overall portfolio.

The District's investments in U.S. Treasury notes of \$ 14,089,894 at April 30, 2022, were rated Aaa by Moody's Investors Service. At April 30, 2022, the District's investments representing greater than 5% of their portfolio were U.S. Treasury notes, which totaled \$ 14,089,894. The District's investments in U.S. Treasury notes of \$ 13,436,503 at April 30, 2021, were rated Aaa by Moody's Investors Service. At April 30, 2021, the District's investments representing greater than 5% of their portfolio were U.S. Treasury notes, which totaled \$ 13,436,503.

**Custodial Credit Risk - Deposits and Certificates of Deposit:** Custodial credit risk is the risk that a government will not be able to cover deposits if the depository financial institution fails or will not be able to recover collateral securities that are in the possession of an outside party. It is the policy of the District to require that demand and time deposits in excess of FDIC or other federal insurable limits be secured by some form of collateral to protect public deposits in a single situation if it were to default due to poor management or economic factors. As of April 30, 2022 and 2021, the District's bank deposits were fully insured or collateralized.

**SANITARY DISTRICT OF DECATUR**

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**April 30, 2022 and 2021**

**Note 2 - Deposits and Investments, continued**

**Custodial Credit Risk - Deposits and Certificates of Deposit, continued:**

As of April 30, 2022, the District had the following investments:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less than 1	1 - 5	More than 5
Certificates of Deposit - negotiable	\$ 4,350,242	2,189,982	2,160,260	
U.S. Treasury Notes	14,089,894	2,643,101	8,848,811	2,597,982
Agency Securities	4,736,494			4,736,494
<b>Total</b>	<b>\$ 23,176,630</b>	<b>4,833,083</b>	<b>11,009,071</b>	<b>7,334,476</b>

As of April 30, 2021, the District had the following investments:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less than 1	1 - 5	More than 5
Certificates of Deposit - negotiable	\$ 7,692,790	3,155,326	4,537,464	
U.S. Treasury Notes	13,436,503	3,922,230	9,514,273	
<b>Total</b>	<b>\$ 21,129,293</b>	<b>7,077,556</b>	<b>14,051,737</b>	<b>-</b>

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are quoted prices for similar assets in active or inactive markets, or inputs derived from observable market data; Level 3 are unobservable inputs that reflect management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. The District has the following recurring fair value measurements as of April 30, 2022 and 2021:

Level 2 Inputs of \$ 23,176,630 and \$ 21,129,293 for 2022 and 2021, respectively, including negotiable certificates of deposit and U.S. treasury securities.

**SANITARY DISTRICT OF DECATUR**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**April 30, 2022 and 2021**

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**Note 3 - Receivables**

Receivables are summarized as follows as of April 30:

	<u>2022</u>	<u>2021</u>
Property tax receivable	<b>\$ 3,941,781</b>	3,856,408
Replacement tax receivable	<b>284,076</b>	148,231
Interest receivable	<b>116,726</b>	126,673
Billed user charges, net allowance of doubtful accounts of \$ 61,037 and \$ 61,037, respectively	<b>346,187</b>	296,989
Unbilled user charges	<b>247,678</b>	219,327
Industrial user charges	<b>5,280,730</b>	2,414,738
	<hr/>	<hr/>
Total	<b>\$ 10,217,178</b>	7,062,366

**Note 4 - Major Customers**

Accounting principles generally accepted in the United States of America require disclosure of information about current vulnerabilities due to certain concentrations. Approximately 80% of the District's operating revenues for the year ended April 30, 2022, was from two industrial customers. The accounts receivable from these two customers totaled \$ 5,190,432 at April 30, 2022. Approximately 88% of the District's operating revenues for the year ended April 30, 2021, was from two industrial customers. The accounts receivable from these two customers totaled \$ 2,301,844 at April 30, 2021.

**SANITARY DISTRICT OF DECATUR**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**April 30, 2022 and 2021**

**Note 5 - Capital Assets**

Following is a summary of changes in capital assets and related depreciation for fiscal years ended April 30, 2022 and 2021:

	<b>Balance April 30, 2021</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance April 30, 2022</b>
Capital assets, not being depreciated:				
Land	\$ 2,935,993			2,935,993
Construction in progress	620,666	12,682,343		13,303,009
Total capital assets, not being depreciated	<u>3,556,659</u>	<u>12,682,343</u>	-	<u>16,239,002</u>
Capital assets being depreciated:				
Buildings and improvements	87,909,468	22,850	68,640	87,863,678
Infrastructure	79,708,908			79,708,908
Machinery and equipment	64,247,422	378,667	27,755	64,598,334
Vehicles	1,956,478		197,196	1,759,282
Land improvements	6,587,244	265,849		6,853,093
Total capital assets being depreciated	<u>240,409,520</u>	<u>667,366</u>	<u>293,591</u>	<u>240,783,295</u>
Less accumulated depreciation:	<u>148,946,265</u>	<u>5,017,439</u>	<u>276,501</u>	<u>153,687,203</u>
Total capital assets being depreciated, net	<u>91,463,255</u>	<u>(4,350,073)</u>	<u>17,090</u>	<u>87,096,092</u>
Capital assets, net	<u>\$ 95,019,914</u>	<u>8,332,270</u>	<u>17,090</u>	<u>103,335,094</u>



**SANITARY DISTRICT OF DECATUR**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**April 30, 2022 and 2021**

**Note 5 - Capital Assets, continued**

Following is a summary of changes in capital assets and related depreciation for fiscal years ended April 30, 2022 and 2021:

	Balance April 30, 2020	Increases	Decreases	Balance April 30, 2021
Capital assets, not being depreciated:				
Land	\$ 2,935,993			2,935,993
Construction in progress	438,582	464,402	282,318	620,666
Total capital assets, not being depreciated	3,374,575	464,402	282,318	3,556,659
Capital assets being depreciated:				
Buildings and improvements	87,909,468			87,909,468
Infrastructure	79,573,736	135,172		79,708,908
Machinery and equipment	63,886,279	361,143		64,247,422
Vehicles	1,803,741	152,737		1,956,478
Land improvements	6,587,244			6,587,244
Total capital assets being depreciated	239,760,468	649,052	-	240,409,520
Less accumulated depreciation:	143,902,675	5,043,590		148,946,265
Total capital assets being depreciated, net	95,857,793	(4,394,538)	-	91,463,255
Capital assets, net	\$ 99,232,368	(3,930,136)	282,318	95,019,914

Construction in progress at April 30 consisted of the following projects:

	2022	2021
Biogas Co-Generation Replacement Project	\$ 158,549	156,264
South Shores Interceptor lining	8,566,437	97,749
Primary Sludge MCC	141,244	
Lake Shore lift station	1,653,147	188,522
Digester #3 lid replacement	1,946,151	145,366
Fermentation reactor	827,736	32,765
USG FRP Tank	9,745	
Total	\$ 13,303,009	620,666

**SANITARY DISTRICT OF DECATUR**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**April 30, 2022 and 2021**

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**Note 6 - Notes Receivable**

**Village of Oreana:** The District financed the construction of a joint wastewater system for the Village of Oreana (the Village). The Village's original cost of the construction was \$ 5,077,771, less \$ 1,164,431 of loan forgiveness related to a grant received by the District, for a net amount due from the Village of \$ 3,913,340. In addition, related to this project, the Village owes the District \$ 195,007 in annexation fees. The agreement calls for the above items to be repaid to the District over a 30-year period, at a -0-% interest rate. As of April 30, 2022 and 2021, the Village owed \$2,771,226 and \$ 2,909,026, respectively. Following are the expected maturities on the notes receivable:

<u>Year Ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 137,803		137,803
2024	137,803		137,803
2025	137,803		137,803
2026	137,803		137,803
2027	137,803		137,803
2028 - 2032	689,017		689,017
2033 - 2037	689,017		689,017
2038 - 2042	689,017		689,017
2043	15,160		15,160
	<u>\$ 2,771,226</u>	<u>-</u>	<u>2,771,226</u>
Total			

**Argenta Sanitary District:** The District financed the construction of a joint wastewater system for the Argenta Sanitary District (ASD). ASD's cost of the construction was \$ 6,568,822, less \$ 1,451,797 of loan forgiveness related to a grant received by the District, for a net amount due from ASD of \$ 5,117,025. In addition, related to this project, the ASD owes the District \$ 266,111 in annexation fees. The agreement calls for the above items to be repaid to the District over a 30-year period, at a 1.25% interest rate. As of April 30, 2022 and 2021, the Argenta Sanitary District owed \$ 4,437,906 and \$ 4,568,044, respectively. Following are the expected maturities on the notes receivable:

<u>Year Ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 137,393	55,055	192,448
2024	144,907	53,314	198,221
2025	152,688	51,479	204,167
2026	160,747	49,545	210,292
2027	169,091	47,510	216,601
2028 - 2032	980,015	203,212	1,183,227
2033 - 2037	1,124,637	137,047	1,261,684
2038 - 2042	1,196,937	64,747	1,261,684
2043 - 2044	371,491	4,639	376,130
	<u>\$ 4,437,906</u>	<u>666,548</u>	<u>5,104,454</u>
Total			

**SANITARY DISTRICT OF DECATUR**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**April 30, 2022 and 2021**

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**Note 7 - Long-Term Debt**

**Notes Payable:** The District has the following Illinois Environmental Protection Agency (IEPA) loans:

Wyckles Forcemain Project I: Note payable to the IEPA, for the Wyckles Forcemain Project I; interest at 0.000%; due in semi-annual installments in July and January of each year through 2031.

Oreana Collection System Project: Note payable to the IEPA, for the Oreana Collection System project; interest at 0.000%; due in semi-annual installments in March and September of each year through 2031.

Wyckles Phase II Project: Note payable to the IEPA, for the Wyckles Phase II project; interest at 0.000%; due in semi-annual installments in November and May of each year through 2030.

Argenta Collection System Project: Note payable to the IEPA, for the Argenta Collection System project; interest at 0.000%; due in semi-annual installments in July and January of each year through 2032.

Stevens Creek Interceptor Rehab Project: Note payable to the IEPA, for the Stevens Creek Interceptor Rehab project; interest at 1.250%; due in semi-annual installments in March and September of each year through 2031.

2011 Trestle Rehab Project: Note payable to the IEPA, for the 2011 Trestle Rehab project; interest at 1.250%; due in semi-annual installments in January and July of each year through 2032.

Primary Digester Upgrade: Note payable to the IEPA, for the Primary Digester Upgrade; interest at 1.930%; due in semi-annual installments in November and May each year through 2035.

**SANITARY DISTRICT OF DECATUR**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**April 30, 2022 and 2021**

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**Note 7 - Long-Term Debt, continued**

**Notes Payable, continued:**

Sludge Thickening System: Note payable to the IEPA, for the Sludge Thickening System; interest at 1.995%; due in semi-annual installments in November and May each year through 2036.

East Side Separation Rehabilitation: Note payable to the IEPA, for the East Side Separation Rehabilitation; interest at 2.210%; due in semi-annual installments each year through September 2035.

Odor Control Project - Phase II: Note payable to the IEPA, for the Odor Control Project - Phase II; interest at 2.210%; due in semi-annual installments each year through February 2036.

Southeast 36 Interceptor Project: Note payable to the IEPA, for the Southeast 36 Interceptor Project; interest at 1.760%; due in semi-annual installments each year through June 2038.

West Head Works Improvement Project: Note payable to the IEPA, for the West Head Works Improvement Project; interest at 1.760%; due in semi-annual installments each year through October 2039.

South Shores Interceptor Rehabilitation: Note payable to the IEPA, for the South Shores Interceptor Rehabilitation; interest at 1.35%; due in semi-annual installments each year through March 2042.

**SANITARY DISTRICT OF DECATUR**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**April 30, 2022 and 2021**

**Note 7 - Long-Term Debt, continued**

**Notes Payable, continued:** The following is a summary of changes in notes payable for the year ended April 30, 2022:

	<b>Principal Outstanding April 30, 2021</b>	<b>Issuances</b>	<b>Retirements</b>	<b>Principal Outstanding April 30, 2022</b>	<b>Current Portion</b>
Wyckles Forcemain Project I	\$ 399,365		42,038	357,327	42,038
Oreana Collection System Project	2,528,876		252,887	2,275,989	252,887
Wyckles Phase II Project	386,606		40,695	345,911	40,695
Argenta Collection System Project	3,528,838		287,179	3,241,659	290,781
Stevens Creek Interceptor Rehab Project	925,373		78,982	846,391	79,972
2011 Trestle Rehab Project	1,437,639		116,996	1,320,643	118,463
Primary Digester Upgrade	5,845,872		339,525	5,506,347	346,110
Sludge Thickening System	3,951,310		228,405	3,722,905	232,984
East Side Separation Rehabilitation	1,680,692		99,509	1,581,183	101,720
Odor Control Project - Phase II	2,872,283		163,442	2,708,841	167,074
West Head Works Improvement Project	8,199,461		378,556	7,820,905	385,248
SE 36 Interceptor Project	1,079,315		53,166	1,026,149	54,106
South Shores Interceptor Rehabilitation		6,603,901		6,603,901	289,703
Total	<b>\$ 32,835,630</b>	<b>6,603,901</b>	<b>2,081,380</b>	<b>37,358,151</b>	<b>2,401,781</b>

**SANITARY DISTRICT OF DECATUR**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**April 30, 2022 and 2021**

**Note 7 - Long-Term Debt, continued**

**Notes Payable, continued:** The following is a summary of changes in notes payable for the year ended April 30, 2021:

	Principal Outstanding April 30, 2020	Issuances	Retirements	Principal Outstanding April 30, 2021	Current Portion
Ultra Violet Project	\$ 65,073		65,073		
2002 Rehabilitation Project	131,368		131,368		
Damon to Monroe Project	772,551		772,551		
Phase 2 - WWTP project	489,033		489,033		
Odor Control Project	275,848		275,848		
2004 Rehabilitation Project	544,359		544,359		
Wyckles Forcemain Project I	441,403		42,038	399,365	42,038
Oreana Collection System Project	2,781,764		252,888	2,528,876	252,887
Wyckles Phase II Project	427,301		40,695	386,606	40,695
Argenta Collection System Project	3,671,092		142,254	3,528,838	287,180
Stevens Creek Interceptor Rehab Project	1,003,377		78,004	925,373	78,982
2011 Trestle Rehab Project	1,553,186		115,547	1,437,639	116,996
Primary Digester Upgrade	6,013,205		167,333	5,845,872	339,525
Sludge Thickening System	4,175,225		223,915	3,951,310	228,405
East Side Separation Rehabilitation	1,778,038		97,346	1,680,692	99,509
Odor Control Project - Phase II	3,032,172		159,889	2,872,283	163,442
West Head Works Improvement Project	8,571,442		371,981	8,199,461	378,556
SE 36 Interceptor Project	1,131,557		52,242	1,079,315	53,166
<b>Total</b>	<b>\$ 36,857,994</b>	<b>-</b>	<b>4,022,364</b>	<b>32,835,630</b>	<b>2,081,381</b>

**SANITARY DISTRICT OF DECATUR**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**April 30, 2022 and 2021**

**Note 7 - Long-Term Debt, continued**

Annual debt service requirements to maturity for notes payable are as follows:

<u>Year Ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 2,401,781	579,105	2,980,886
2024	2,436,962	543,924	2,980,886
2025	2,472,768	508,118	2,980,886
2026	2,509,209	471,677	2,980,886
2027	2,546,297	434,589	2,980,886
2028 - 2032	12,934,314	1,593,130	14,527,444
2033 - 2037	8,860,432	634,891	9,495,323
2038 - 2042	3,196,388	103,865	3,300,253
<b>Total</b>	<b>\$ 37,358,151</b>	<b>4,869,299</b>	<b>42,227,450</b>

**Debt Certificates:** On April 24, 2015, the District issued debt certificates for \$ 2,000,000, however, only \$ 108,500 of that was actually disbursed to the District in fiscal year 2015. The \$ 2,000,000 was reduced to \$ 500,000 during fiscal year 2016. Principal and interest are due April 24 and October 24 at an interest rate of 2.55%. At April 30, 2022 and 2021, there was principal outstanding in the amount of \$ -0- and \$ 169,069, respectively.

	<u>Balance</u>			<u>Balance</u>	
	<u>April 30, 2021</u>	<u>Issuances</u>	<u>Retirements</u>	<u>April 30, 2022</u>	<u>Current</u>
General Obligation Debt Certificates, Series 2015	<b>\$ 169,069</b>	-	<b>169,069</b>	-	
	<u>Balance</u>			<u>Balance</u>	
	<u>April 30, 2020</u>	<u>Issuances</u>	<u>Retirements</u>	<u>April 30, 2021</u>	<u>Current</u>
General Obligation Debt Certificates, Series 2015	<b>\$ 425,053</b>	-	<b>255,984</b>	<b>169,069</b>	<b>169,069</b>

**SANITARY DISTRICT OF DECATUR**

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**April 30, 2022 and 2021**

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**Note 8 - Pension Plan**

**IMRF Plan Description:** The District's defined benefit pension plan for regular employees provides retirement and disability benefits, postretirement 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](http://www.imrf.org).

**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). The District only participates in the Regular Plan.

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 10 years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with 10 years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1% 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 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, 2021, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	95
Inactive plan members entitled to but not yet receiving benefits	19
Active plan members	<u>53</u>
Total	<u>167</u>



## SANITARY DISTRICT OF DECATUR

### NOTES TO FINANCIAL STATEMENTS (Continued)

April 30, 2022 and 2021

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#### Note 8 - Pension Plan, continued

**Contributions:** As set by statute, the District's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires 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 years 2021 and 2020 was 6.66% and 7.82%, respectively. For the fiscal years 2022 and 2021, the District's required contribution was \$ 186,895 and \$ 271,037, respectively, to the plan and the District contributed \$ 186,895 and \$ 271,037, respectively. The District also contributes 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 Liability (Asset):** The District's net pension liability (asset) was measured as of December 31, 2021 and 2020. The total pension liability (asset) used to calculate the net pension liability (asset) 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 (asset) at December 31, 2021:

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- **Price Inflation** was assumed to be 2.25%.
- **Salary Increases** were expected to be 2.85% to 13.75%.
- The **Investment Rate of Return** was assumed to be 7.25%.
- **Retirement Age** was from the Experience-based table of rates that are specific to the type of eligibility condition, last updated for the 2020 valuation pursuant to an experience study of the period 2017 to 2019.
- For **Non-disabled Retirees**, the Pub-2010, Amount-Weighted, below-median income, General, Retiree, Male (adjusted 106%) and Female (adjusted 105%) tables, and future mortality improvements projected using scale MP-2020.
- For **Disabled Retirees**, the Pub-2010, Amount-Weighted, below-median income, General, Disabled Retiree, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020.
- For **Active Members**, the Pub-2010, Amount-Weighted, below-median income, General, Employee, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020.

There were no benefit changes during the year.

## SANITARY DISTRICT OF DECATUR

### NOTES TO FINANCIAL STATEMENTS (Continued) April 30, 2022 and 2021

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#### Note 8 - Pension Plan, continued

**Actuarial Assumptions, continued:** The following are the methods and assumptions used to determine total pension liability (asset) at December 31, 2020:

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- **Price Inflation** was assumed to be 2.25%.
- **Salary Increases** were expected to be 2.85% to 13.75%.
- The **Investment Rate of Return** was assumed to be 7.25%.
- **Retirement Age** was from the Experience-based table of rates that are specific to the type of eligibility condition, last updated for the 2020 valuation pursuant to an experience study of the period 2017 to 2019.
- For **Non-disabled Retirees**, the Pub-2010, Amount-Weighted, below-median income, General, Retiree, Male (adjusted 106%) and Female (adjusted 105%) tables, and future mortality improvements projected using scale MP-2020.
- For **Disabled Retirees**, the Pub-2010, Amount-Weighted, below-median income, General, Disabled Retiree, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020.
- For **Active Members**, the Pub-2010, Amount-Weighted, below-median income, General, Employee, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020.

There were no benefit changes during the year.

**SANITARY DISTRICT OF DECATUR**

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**April 30, 2022 and 2021**

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**Note 8 - Pension Plan, continued**

**Actuarial Assumptions, continued:**

- 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 for 2021:

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic Equity	39%	1.90%
International Equity	15%	3.15%
Fixed Income	25%	(0.60)%
Real Estate	10%	3.30%
Alternative Investments	10%	1.70% - 5.50%
Cash Equivalents	1%	(0.96)%
Total	<u>100%</u>	

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table for 2020:

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic Equity	37%	5.00%
International Equity	18%	6.00%
Fixed Income	28%	1.30%
Real Estate	9%	6.20%
Alternative Investments	7%	2.85% - 6.95%
Cash Equivalents	1%	0.70%
Total	<u>100%</u>	

**SANITARY DISTRICT OF DECATUR**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**April 30, 2022 and 2021**

**Note 8 - Pension Plan, continued**

**Single Discount Rate:** A Single Discount Rate of 7.25% in 2021 and 2020 was used to measure the total pension liability (asset). 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% for 2021 and 7.25% for 2020, the municipal bond rate is 1.84% for 2021 and 2.00% for 2020, and the resulting single discount rate is 7.25% for 2021 and 7.25% for 2020.

**Changes in the Net Pension Liability (Asset):**

	<b>Total Pension Liability (A)</b>	<b>Plan Fiduciary Net Position (B)</b>	<b>Net Pension Liability (Asset) (A) - (B)</b>
<b>Balances at December 31, 2020</b>	<b>\$ 36,386,797</b>	<b>41,822,776</b>	<b>(5,435,979)</b>
<b>Changes for the year:</b>			
Service Cost	338,302		338,302
Interest on the Total Pension Liability	2,563,784		2,563,784
Differences Between Expected and Actual Experience of the Total Pension Liability	675,976		675,976
Changes of Assumptions			
Contributions - Employer		233,725	(233,725)
Contributions - Employees		180,434	(180,434)
Net Investment Income - Projected		7,305,819	(7,305,819)
Differences Between Projected and Actual Investment Income		(15,828)	15,828
Benefit Payments, including Refunds of Employee Contributions	(2,409,370)	(2,409,370)	
Administrative Expenses		(24,257)	24,257
Other		11	(11)
<b>Net Changes</b>	<b>1,168,692</b>	<b>5,270,534</b>	<b>(4,101,842)</b>
<b>Balances at December 31, 2021</b>	<b>\$ 37,555,489</b>	<b>47,093,310</b>	<b>(9,537,821)</b>

**SANITARY DISTRICT OF DECATUR**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**April 30, 2022 and 2021**

**Note 8 - Pension Plan, continued**

**Changes in the Net Pension Liability (Asset), continued:**

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (Asset) (A) - (B)
<b>Balances at December 31, 2019</b>	\$ 35,815,434	37,562,435	(1,747,001)
<b>Changes for the year:</b>			
Service Cost	395,783		395,783
Interest on the Total Pension Liability	2,532,040		2,532,040
Differences Between Expected and Actual Experience of the Total Pension Liability	(89,452)		(89,452)
Changes of Assumptions	(80,139)		(80,139)
Contributions - Employer		289,703	(289,703)
Contributions - Employees		189,119	(189,119)
Net Investment Income - Projected		5,560,062	(5,560,062)
Differences Between Projected and Actual Investment Income		436,506	(436,506)
Benefit Payments, including Refunds of Employee Contributions	(2,186,869)	(2,186,869)	
Administrative Expenses		(28,191)	28,191
Other		11	(11)
<b>Net Changes</b>	<b>571,363</b>	<b>4,260,341</b>	<b>(3,688,978)</b>
<b>Balances at December 31, 2020</b>	<b>\$ 36,386,797</b>	<b>41,822,776</b>	<b>(5,435,979)</b>

**Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate:** The following presents the plan's net pension liability (asset), calculated using a Single Discount Rate of 7.25%, as well as what the plan's net pension liability (asset) would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher for 2021:

	1% Lower (6.25%)	Current (7.25%)	1% Higher (8.25%)
Net Pension Liability/(Asset)	\$(5,353,575)	(9,537,821)	(13,001,022)

**SANITARY DISTRICT OF DECATUR**

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**April 30, 2022 and 2021**

**Note 8 - Pension Plan, continued**

**Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate, continued:** The following presents the plan's net pension liability (asset), calculated using a Single Discount Rate of 7.25%, as well as what the plan's net pension liability (asset) would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher for 2020:

	1% Lower (6.25%)	Current (7.25%)	1% Higher (8.25%)
Net Pension Liability/(Asset)	\$(1,369,455)	(5,435,979)	(8,802,253)

**Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions:** For the years ended April 30, 2022 and 2021, the District recognized pension expense (income) of \$ (4,637,022) and \$(2,299,946), respectively. At April 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Deferred Amounts Related to Pensions</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Deferred amounts to be recognized in pension expense in future periods:		
Differences between expected and actual experience	\$ 551,820	39,858
Changes of assumptions		35,707
Net difference between projected and actual earnings on pension plan investments		<u>505,059</u>
Total deferred amounts to be recognized in pension expense in future periods	<u>1,056,879</u>	<u>75,565</u>
Pension contributions made subsequent to the measurement date	<u>28,431</u>	
<b>Total deferred amounts related to pensions</b>	<u><u>\$ 1,085,310</u></u>	<u><u>75,565</u></u>

An amount of \$ 28,431 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended April 30, 2023.

**SANITARY DISTRICT OF DECATUR**

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**April 30, 2022 and 2021**

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**Note 8 - Pension Plan, continued**

**Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions, continued:** At April 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Deferred Amounts Related to Pensions</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Deferred amounts to be recognized in pension expense in future periods:		
Differences between expected and actual experience	\$ 221,370	64,655
Changes of assumptions	178,997	57,923
Net difference between projected and actual earnings on pension plan investments	<u>653,637</u>	
Total deferred amounts to be recognized in pension expense in future periods	1,054,004	122,578
Pension contributions made subsequent to the measurement date	<u>75,262</u>	
<b>Total deferred amounts related to pensions</b>	<u><u>\$ 1,129,266</u></u>	<u>122,578</u>

An amount of \$ 75,262 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended April 30, 2022.

**SANITARY DISTRICT OF DECATUR**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**April 30, 2022 and 2021**

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**Note 8 - Pension Plan, continued**

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

The net amount reported as deferred outflows of resources and deferred inflows of resources related to pensions as of April 30, 2022, prior to contributions subsequent to measurement date, will be recognized in pension expense in future periods as follows:

<u>Year Ending April 30,</u>	<u>Net Deferred Outflows of Resources</u>
2023	\$ 955,371
2024	11,041
2025	11,737
2026	<u>3,165</u>
Total	<u>\$ 981,314</u>

**Note 9 - Other Postemployment Benefits (OPEB)**

**Plan Description:** In addition to providing the pension benefits described in Note 8, the District provides limited other postemployment health care benefits (OPEB) for its eligible retired employees through a single employer defined benefit plan (Retiree Healthcare Program). The benefits, benefit levels, employee contributions and employer contributions are governed by the District and can be amended by the District through its personnel manual and union contracts. The Plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the Plan. The Plan does not issue a separate report.

**Eligibility:** Employees are eligible to retire from the District and continue their health coverage after meeting the age and service requirements for retirement, as follows:

Retiree must be at least age 55 with a minimum of 20 years of service (10 years of service if hired prior to January 1, 2007) at retirement. An employee that retires using the IMRF early retirement may be 50 years of age.

This program is only available to those who were hired prior to January 1, 2007 and who retire by December 31, 2020.



**SANITARY DISTRICT OF DECATUR**

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**April 30, 2022 and 2021**

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**Note 9 - Other Postemployment Benefits (OPEB), continued**

**Membership:** Membership in the plan as of April 30, 2022 and 2021 consisted of:

	<u>2022</u>	<u>2021</u>
Active employees	51	51
Inactive employees currently receiving benefits	14	14
Inactive employees entitled to but not yet receiving benefit payments	-	-
	<u>65</u>	<u>65</u>
Total		

**Funding Policy:** Retirees and beneficiaries electing coverage pay 100% of the premium to the District in accordance with rates set by the District. The plan is financed on a pay-as-you-go basis. The District's Annual Contribution Rate has been determined through the use of an actuary. There have been no OPEB contributions by either the District or employees to date. As such, there are no plan assets.

**Total OPEB Liability:** The District's total OPEB liability was determined for fiscal year ending April 30, 2022, using April 30, 2022 as the measurement date by an actuarial valuation as of May 1, 2021.

The District's total OPEB liability was determined for fiscal year ending April 30, 2021, using April 30, 2021 as the measurement date by an actuarial valuation as of May 1, 2021.

**Actuarial Assumptions and Other Inputs:** The total OPEB liability in the April 30, 2022 and 2021 (measurement date), actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.25% per year
Salary Increases	2.50% plus merit and longevity increases
Healthcare Cost Trend Rates	7.70% for 2021, decreasing 0.30% annually to an ultimate rate of 5.0% for 2031 and later years (6.87% in 2020)

Mortality rates for April 30, 2022 were based on the Pub G - 2010(B), Improved Generationally using MP-2020 Improvement Rate, weighted per IMRF Experience Study Report dated December 14, 2020, age 83 for males, age 87 for females.

Mortality rates for April 30, 2021 were based on the RP-2014 Study with Blue Collar Adjustment and MP2016 Improvement, weighted per IMRF Experience Study dated November 8, 2017; age 85 for males, age 88 for females.

**Discount Rate:** Under GASB 75, the discount rate used in valuing OPEB liabilities for unfunded plans as of the Measurement Date must be based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa2 or higher (or equivalent quality on another rating scale). The discount rate was 3.21% as of April 30, 2022, and 2.27% as of April 30, 2021, for accounting disclosures purposes.

**SANITARY DISTRICT OF DECATUR**

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**April 30, 2022 and 2021**

**Note 9 - Other Postemployment Benefits (OPEB), continued**

**Changes in Total OPEB Liability**

	<u>2022</u>	<u>2021</u>
<b>Total OPEB Liability</b>		
Service Cost	\$ 16,799	39,688
Interest on the Total OPEB Liability	35,796	38,725
Difference Between Expected and Actual Experience		66,248
Changes of Assumptions	(211,763)	108,407
Benefit Payments	(213,235)	(164,433)
<b>Net Changes in Total OPEB Liability</b>	<b>(372,403)</b>	<b>88,635</b>
<b>Total OPEB Liability - Beginning</b>	<b>1,683,530</b>	<b>1,594,895</b>
<b>Total OPEB Liability - Ending</b>	<b>\$ 1,311,127</b>	<b>1,683,530</b>

**Sensitivity Analysis:** The following presents the total OPEB liability of the District as of April 30, 2022 using the discount rate of 3.21%, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower 2.21% or one-percentage-point higher 4.21% than the current discount rate:

	<u>1% Lower (2.21%)</u>	<u>Current (3.21%)</u>	<u>1% Higher (4.21%)</u>
Total OPEB Liability	<u>\$ 1,416,784</u>	<u>1,311,127</u>	<u>1,222,277</u>

The following presents the total OPEB liability of the District as of April 30, 2022, calculated using the current healthcare cost trend rates as well as what the total OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates:

	<u>1% Lower Varies</u>	<u>Current Varies</u>	<u>1% Higher Varies</u>
Total OPEB Liability	<u>\$ 1,217,927</u>	<u>1,311,127</u>	<u>1,421,234</u>

The following presents the total OPEB liability of the District as of April 30, 2021 using the discount rate of 2.27%, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower 1.27% or one-percentage-point higher 3.27% than the current discount rate:

	<u>1% Lower (1.27%)</u>	<u>Current (2.27%)</u>	<u>1% Higher (3.27%)</u>
Total OPEB Liability	<u>\$ 1,837,005</u>	<u>1,683,530</u>	<u>1,556,431</u>

**SANITARY DISTRICT OF DECATUR**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**April 30, 2022 and 2021**

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**Note 9 - Other Postemployment Benefits (OPEB), continued**

**Sensitivity Analysis, continued:** The following presents the total OPEB liability of the District as of April 30, 2021, calculated using the current healthcare cost trend rates as well as what the total OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates:

	1% Lower Varies	Current Varies	1% Higher Varies
Total OPEB Liability	\$ 1,565,932	1,683,530	1,824,399

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:** For the year ended April 30, 2022, the District recognized OPEB income of \$ 159,168. At April 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<b>Deferred Amounts Related to OPEB</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Deferred amounts to be recognized in OPEB expense in future periods: Changes of assumptions	\$ -	-
<b>Total deferred amounts related to recognized in OPEB expense in future periods</b>	<b>\$ -</b>	<b>-</b>

For the year ended April 30, 2021, the District recognized OPEB expense of \$ 253,068. At April 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<b>Deferred Amounts Related to OPEB</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Deferred amounts to be recognized in OPEB expense in future periods: Changes of assumptions	\$ -	-
<b>Total deferred amounts related to recognized in OPEB expense in future periods</b>	<b>\$ -</b>	<b>-</b>

## **SANITARY DISTRICT OF DECATUR**

### **NOTES TO FINANCIAL STATEMENTS (Continued)** **April 30, 2022 and 2021**

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#### **Note 10 - 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 purchases commercial insurance for these risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

#### **Note 11 - Commitments and Contingencies**

At April 30, 2022, the District had various contracts for construction projects and engineering projects at varying stages of completion with outstanding commitments totaling approximately \$ 9,967,210. The District is obligated to pay the costs under these contracts as the work is completed.

#### **Note 12 - Subsequent Events**

The District has evaluated subsequent events through October 4, 2022, the date the financial statements were available to be issued.

The District's Collective Bargaining Agreement with the Local 268 of the American Federation of State, County, and Municipal Employees (AFSCME) expired on April 30, 2022. The District and AFSCME have not approved a new Collective Bargaining Agreement, and continue to operate using the terms of the expired agreement. The earliest the District believes a new agreement can be completed will be December of 2022.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SANITARY DISTRICT OF DECATUR**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

**ILLINOIS MUNICIPAL RETIREMENT FUND (Unaudited)  
LAST 10 FISCAL YEARS\*\***

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Calendar Year Ended December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a Percentage of Covered Valuation Payroll
<b>2021</b>	<b>\$ 186,895</b>	<b>186,895</b>	-	<b>3,544,555</b>	<b>5.27%</b>
2020	271,037	271,037	-	3,633,580	7.46%
2019	194,466	194,466	-	3,779,022	5.15%
2018	330,279	330,279	-	3,638,786	9.08%
2017	468,076	468,076	-	3,578,565	13.08%
2016	485,153	2,951,153	(2,466,000)	3,414,684	86.43%
2015	542,387	1,492,387	(950,000)	3,549,418	42.05%

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.

**SANITARY DISTRICT OF DECATUR**

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY (ASSET)  
AND RELATED RATIOS**

**ILLINOIS MUNICIPAL RETIREMENT FUND (Unaudited)  
April 30, 2022**

Calendar Year Ended December 31	2021	2020	2019
<b>Total Pension Liability</b>			
Service Cost	\$ 338,302	395,783	367,014
Interest	2,563,784	2,532,040	2,452,447
Changes in Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	675,976	(89,452)	388,757
Changes of Assumption	-	(80,139)	-
Benefit Payments, Including Refunds of Employee Contributions	(2,409,370)	(2,186,869)	(2,065,759)
<b>Net Change in Total Pension Liability</b>	<b>1,168,692</b>	<b>571,363</b>	<b>1,142,459</b>
<b>Total Pension Liability - Beginning</b>	<b>36,386,797</b>	<b>35,815,434</b>	<b>34,672,975</b>
<b>Total Pension Liability - Ending</b>	<b>\$ 37,555,489</b>	<b>36,386,797</b>	<b>35,815,434</b>
<b>Plan Fiduciary Net Position</b>			
Contributions - Employer	\$ 233,725	289,703	145,661
Contributions - Employee	180,434	189,119	190,024
Net Investment Income	7,289,991	5,996,568	6,840,761
Benefit Payments, Including Refunds of Employee Contributions	(2,409,370)	(2,186,869)	(2,065,759)
Other	(24,246)	(28,180)	(34,713)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>5,270,534</b>	<b>4,260,341</b>	<b>5,075,974</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>41,822,776</b>	<b>37,562,435</b>	<b>32,486,461</b>
<b>Plan Fiduciary Net Position - Ending</b>	<b>\$ 47,093,310</b>	<b>41,822,776</b>	<b>37,562,435</b>
<b>Net Pension Liability (Asset) - Ending</b>	<b>\$ (9,537,821)</b>	<b>(5,435,979)</b>	<b>(1,747,001)</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)</b>	<b>125.40%</b>	<b>114.94%</b>	<b>104.88%</b>
<b>Covered Payroll</b>	<b>\$ 3,544,555</b>	<b>3,633,580</b>	<b>3,734,919</b>
<b>District's Net Pension Liability (Asset) as a Percentage of Covered Payroll</b>	<b>(269.08)%</b>	<b>(149.60)%</b>	<b>(46.77)%</b>

Notes 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.

2018	2017	2016	2015
356,865	366,524	360,112	408,884
2,399,846	2,401,678	2,350,315	2,272,329
-	-	-	-
222,709	102,447	(130,108)	246,402
873,407	(933,051)	(109,165)	35,988
(1,995,482)	(1,922,170)	(1,908,569)	(1,800,538)
1,857,345	15,428	562,585	1,163,065
32,815,630	32,800,202	32,237,617	31,074,552
34,672,975	32,815,630	32,800,202	32,237,617
416,920	2,455,889	1,710,406	878,601
173,474	162,768	153,085	165,740
(1,820,909)	5,128,640	2,154,331	574,993
(1,995,482)	(1,922,170)	(1,908,569)	(1,800,538)
(35,506)	(27,622)	(28,670)	(80,906)
(3,261,503)	5,797,505	2,080,583	(262,110)
35,747,964	29,950,459	27,869,876	28,131,986
32,486,461	35,747,964	29,950,459	27,869,876
2,186,514	(2,932,334)	2,849,743	4,367,741
<b>93.69%</b>	<b>108.94%</b>	<b>91.31%</b>	<b>86.45%</b>
<b>3,628,766</b>	<b>3,542,223</b>	<b>3,401,867</b>	<b>3,632,546</b>
<b>60.26%</b>	<b>(82.78)%</b>	<b>83.77%</b>	<b>120.24%</b>



**SANITARY DISTRICT OF DECATUR**

**SCHEDULES OF CHANGES IN NET OPEB LIABILITY AND TOTAL OPEB LIABILITY AND RELATED RATIOS (Unaudited)**

**April 30, 2022**

<b><u>Change in the Net OPEB Liability</u></b>	<b>2022</b>	2021	2020
<b>Total OPEB Liability</b>			
Service Cost	\$ 16,799	39,688	36,482
Interest	35,796	38,725	55,983
Differences Between Expected and Actual Experiences	-	66,248	-
Change in Assumptions	(211,763)	108,407	112,566
Benefit Payments	(213,235)	(164,433)	(175,581)
<b>Net Change in Total OPEB Liability</b>	<b>(372,403)</b>	<b>88,635</b>	<b>29,450</b>
<b>Total OPEB Liability - Beginning</b>	<b>1,683,530</b>	<b>1,594,895</b>	<b>1,565,445</b>
<b>Total OPEB Liability - Ending (a)</b>	<b>\$ 1,311,127</b>	<b>1,683,530</b>	<b>1,594,895</b>
<b>OPEB Plan Net Position</b>			
Contributions - Employer	\$ 213,235	164,433	175,581
Benefit Payments	(213,235)	(164,433)	(175,581)
<b>Net Change in OPEB Plan Net Position</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>OPEB Plan Net Position - Beginning</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>OPEB Plan Net Position - Ending (b)</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>
<b>Employer's Net OPEB Liability/(Asset) - Ending (a) - (b)</b>	<b>\$ 1,311,127</b>	<b>1,683,530</b>	<b>1,594,895</b>
<b><u>Total OPEB Liability and Related Ratio</u></b>			
Total OPEB Liability - Ending (a)	\$ 1,311,127	1,683,530	1,594,895
OPEB Plan Net Position - Ending (b)	-	-	-
<b>Employer's Net OPEB Liability/(Asset) - Ending (a) - (b)</b>	<b>\$ 1,311,127</b>	<b>1,683,530</b>	<b>1,594,895</b>
<b>OPEB Plan Net Position as a Percentage of the Total OPEB Liability</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Covered - Employee Payroll</b>	<b>\$ 3,571,691</b>	<b>3,410,199</b>	<b>3,502,013</b>
<b>Employer's Net OPEB Liability as a Percentage of Covered-Employee Payroll</b>	<b>36.71%</b>	<b>49.37%</b>	<b>45.54%</b>

Notes 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.

No assets are accumulated in a trust to pay related benefits.

Covered-Employee Payroll has been estimated based on Total Covered Payroll for the postretirement plan Members during the prior fiscal year.

<u>2019</u>
34,800
61,269
-
16,353
<u>(180,711)</u>
(68,289)
<u>1,633,734</u>
<u><u>1,565,445</u></u>
180,711
<u>(180,711)</u>
-
-
<u>-</u>
<u><u>1,565,445</u></u>
-
<u>-</u>
<u><u>1,565,445</u></u>
<b>0.00%</b>
<b>3,416,598</b>
<b>45.82%</b>

**SANITARY DISTRICT OF DECATUR**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**April 30, 2022 and 2021**

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**Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2021 Contribution Rate\***

**Valuation Date:**

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

**Methods and Assumptions Used to Determine 2021 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): 22-year closed period. Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI. SLEP supplemental liabilities attributed to Public Act 94-712 were financed over 17 years for most employers (five employers were financed over 18 years; one employer was financed over 19 years; two employers were financed over 20 years; three employers were financed over 26 years; four employers were financed over 27 years and one employer was financed over 28 years).
<i>Asset Valuation Method:</i>	5-year smoothed market; 20% corridor
<i>Wage Growth:</i>	3.25%
<i>Price Inflation:</i>	2.50%
<i>Salary Increases:</i>	3.35% to 14.25%, including inflation
<i>Investment Rate of Return:</i>	7.25%
<i>Retirement Age:</i>	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2017 valuation pursuant to an experience study of the period 2014 to 2016.
<i>Mortality:</i>	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, IMRF specific mortality rates were 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 adjustments that were applied for non-disabled lives. For active members, IMRF specific mortality rates were 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.

**Other Information:**

There were no benefit changes during the year.  
\* Based on Valuation Assumptions used in the December 31, 2019 actuarial valuation.

## SANITARY DISTRICT OF DECATUR

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

April 30, 2022 and 2021

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#### Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2020 Contribution Rate\*

##### Valuation Date:

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

##### Methods and Assumptions Used to Determine 2020 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): 23-year closed 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 18 years for most employers (three employers were financed over 27 years and four others were financed over 28 years).
<i>Asset Valuation Method:</i>	5-year smoothed market; 20% corridor
<i>Wage Growth:</i>	3.25%
<i>Price Inflation:</i>	2.50%
<i>Salary Increases:</i>	3.35% to 14.25%, including inflation
<i>Investment Rate of Return:</i>	7.25%
<i>Retirement Age:</i>	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2017 valuation pursuant to an experience study of the period 2014 to 2016.
<i>Mortality:</i>	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 adjustments 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.

##### Other Information:

There were no benefit changes during the year.

\* Based on Valuation Assumptions used in the December 31, 2018 actuarial valuation; note 2-year lag between valuation and rate setting.

**FEDERAL AWARDS**



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

**Board of Trustees  
Sanitary District of Decatur  
Decatur, Illinois**

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 Sanitary District of Decatur, as of and for the year ended April 30, 2022, and the related notes to the financial statements, which collectively comprise Sanitary District of Decatur's basic financial statements, and have issued our report thereon dated October 4, 2022.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2022-001 that we consider to be a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sanitary District of Decatur's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

### Sanitary District of Decatur's Response to Finding

Sanitary District of Decatur's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Sanitary District of Decatur's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### 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.

*MCK CPAs & Advisors*

Decatur, Illinois  
October 4, 2022



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

**Board of Trustees  
Sanitary District of Decatur  
Decatur, Illinois**

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

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

**We have audited Sanitary District of Decatur's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Sanitary District of Decatur's major federal program for the year ended April 30, 2022. Sanitary District of Decatur's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.**

**In our opinion, Sanitary District of Decatur complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended April 30, 2022.**

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

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

**We are required to be independent of Sanitary District of Decatur and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Sanitary District of Decatur's compliance with the compliance requirements referred to above.**

***Responsibilities of Management for Compliance***

**Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Sanitary District of Decatur's federal program.**



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

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Sanitary District of Decatur's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Sanitary District of Decatur's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Sanitary District of Decatur's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Sanitary District of Decatur's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Sanitary District of Decatur's internal control over compliance. Accordingly, no such opinion is expressed.

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

### **Report on Internal Control over Compliance**

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

**Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weakness, as defined above. However, material weakness or significant deficiencies in internal control over compliance may exist that were not identified.**

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

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

***MCK CPAs & Advisors***

**Decatur, Illinois  
October 4, 2022**

**SANITARY DISTRICT OF DECATUR**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**April 30, 2022**

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Environmental Protection Agency Passed-through the Illinois Environmental Protection Agency: Capitalization Grants for Clean Water State Revolving Funds	66.458	L17-4647	\$ 1,508,513	-

## SANITARY DISTRICT OF DECATUR

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

April 30, 2022

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#### **Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended April 30, 2022. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

#### **Note 2 - Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**SANITARY DISTRICT OF DECATUR**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**April 30, 2022**

---

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

X  yes   no

Significant deficiencies identified?

yes  X  none reported

Noncompliance material to financial statements noted?

yes  X  no

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?

yes  X  no

Significant deficiencies identified?

yes  X  none reported

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR, Section 200.516(a)?

yes  X  no

Identification of major programs:

CFDA #66.458

Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

yes  X  no

**SANITARY DISTRICT OF DECATUR**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

**April 30, 2022**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

***2022-001 Material Weakness in Internal Control over Financial Reporting***

Condition: The District does not have an internal control policy in place over annual financial reporting that would enable management to prepare its annual financial statements and the related footnote disclosures to ensure they are complete and presented in accordance with U.S. generally accepted accounting principles (GAAP), including all adjustments required to convert the cash basis records to accrual basis.

Criteria: Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial statements including the related disclosures, in conformity with GAAP.

Context: Management has informed us that they do not have an internal control policy in place over the annual financial reporting in that they do not have the necessary staff capacity to prepare the annual financial statements, including footnote disclosures and accrual adjustments. However, management accepts responsibility for the financial statements and reviews and approves the financial statements and adjustments.

Effect: The potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the District's internal controls.

Repeat Finding: Repeat of finding 2021-001 from the fiscal year 2021 audit.

Recommendation: Management should continue to evaluate their internal staff capacity to determine if an internal control policy over the annual financial reporting is beneficial.

Views of Responsible Officials and Planned Corrective Actions: The District recognizes and accepts the audit finding as presented. Management has informed us that they do not have an internal control policy in place over the annual financial reporting and that they do not have the necessary staff capacity to prepare the annual financial statements, including footnote disclosures and accrual adjustments. Management accepts responsibility for the financial statements.

District Official Responsible: Executive Director/CFO.

Expected Completion: The plan is ongoing.

**SECTION III - FEDERAL AWARD FINDINGS**

None

**SANITARY DISTRICT OF DECATUR**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**April 30, 2022**

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***Finding 2021-001 Material Weakness in Internal Control Over Financial Reporting***

Condition: The District does not have an internal control policy in place that enables management to prepare its annual financial statements complete with related disclosures.

Recommendation: The auditor recommended that the District evaluate the staff capacity and benefits of an internal control policy over annual financial reporting.

Current Status: The finding is repeated in the 2022 audit as Finding 2022-001.