

**SANITARY DISTRICT OF DECATUR**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEARS ENDED APRIL 30, 2018 AND 2017**

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Sanitary District of Decatur  
Decatur, Illinois

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Sanitary District of Decatur, as of and for the years ended April 30, 2018 and 2017, 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.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sanitary District of Decatur as of April 30, 2018 and 2017, and the change in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2018, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on 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 Sanitary District of Decatur's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Champaign, Illinois  
September 13, 2018

**SANITARY DISTRICT OF DECATUR  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED APRIL 30, 2018 AND 2017**

The Sanitary District of Decatur (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, 2018. 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 88,500 in an area of approximately 30 square miles. For the years ended April 30, 2018 and 2017, respectively, approximately 31,900 customers were billed a user charge based on their water consumption, solids, ammonia, and oxygen demanding waste; with the exception of 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 2018, the number of full-time employees remained stable at 55. The District treated a maximum flow of 104.8 million gallons per day in 2018 up from 97.16 million gallons per day in 2017. The average flow was 27.82 million gallons of wastewater a day in 2018 and 24.6 million gallons of wastewater a day in 2017. The plant is designed for 41 million gallons per day during dry weather flow and maximum capacity of 125 million gallons per day during wet weather events.

The District continues to meet U.S. Environmental Protection Agency (USEPA) and Illinois Environmental Protection Agency (IEPA) permit requirements and regulations for all requirements except for the amount of nickel discharged. The District is working with USEPA and IEPA to provide research demonstrating that the amount of nickel discharged does not have a negative impact on the environment and is requesting that the permit limit for nickel should be raised.

**FINANCIAL HIGHLIGHTS**

- During the fiscal year 2018, the District's net position increased \$6,939,000 representing an increase of 6.7%. During the fiscal year 2017, the District's net position increased \$4,715,000 representing an increase of 4.8%
- During the fiscal year 2018 operating expenses decreased by (\$1,302,000) or (11.5%). This decrease was due to reduced pension expense in 2018 compared to 2017 which was the result of the District's decision to eliminate an unfunded liability balance in 2017. Operating expenses were also reduced because the District made the final payment for the cost to restore two sludge lagoons to their original condition in 2017.
- Total revenues for fiscal year 2018 were \$1,537,000 higher than fiscal year 2017 because of revenue from penalties and user fees paid by industrial customers. The revenues from penalties is expected to be lower in FY 2019 and return to normal levels in FY 2020. The additional user fees are anticipated to continue into the future as one of the customers has asked for and received authorization to discharge an additional one million gallons per day.

**SANITARY DISTRICT OF DECATUR  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED APRIL 30, 2018 AND 2017**

**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 similar to 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 of 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, one will need to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation.

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 where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

**SANITARY DISTRICT OF DECATUR  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED APRIL 30, 2018 AND 2017**

**FINANCIAL ANALYSIS OF THE DISTRICT**

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

	FY 2018	FY 2017	FY 2016	2018 vs. 2017	
				Dollar Change	Percent Change
Current and Other Assets	\$ 58,887	\$ 52,196	\$ 50,130	\$ 6,691	
Capital Assets	93,003	94,402	94,977	(1,399)	
Deferred Outflows	267	3,153	2,254	(2,886)	
Total Assets and Deferred Outflows	152,157	149,751	147,361	2,406	1.6%
Outstanding Debt	33,226	36,460	36,911	(3,234)	
Other Liabilities and Deferred Inflows	8,144	9,443	11,317	(1,299)	
Total Liabilities and Deferred Inflows	41,370	45,903	48,228	(4,533)	-9.9%
Net Investment in Capital Assets	59,719	57,467	58,066	2,252	
Restricted for Pension and OPEB	3,467	411	302	3,056	
Unrestricted	47,601	45,970	40,765	1,631	
Total Net Position	<u>\$ 110,787</u>	<u>\$ 103,848</u>	<u>\$ 99,133</u>	<u>\$ 6,939</u>	6.7%

For fiscal year 2018 the increase in net position was due to increased assets and reduced liabilities. Some of the increase in net position will be used to reduce the amount of debt issued for future projects.

Current and other assets increased as the District collected more cash than it spent. During fiscal year 2018, the amount of user fees and penalties collected from industrial customers was much greater than expected. The penalties should be back to the average amount in FY 2020 but user fees are expected to remain higher due to increased discharge to the District.

The District made the final payments for some large debt issues in FY 2018 and several large capital asset improvement projects were delayed and therefore reduced the amount of new debt issued. These projects will begin in FY 2019.

**SANITARY DISTRICT OF DECATUR  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED APRIL 30, 2018 AND 2017**

**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 2018	FY 2017	FY 2016	2018 vs. 2017	
				Dollar Change	Percent Change
Operating Revenues	\$ 17,376	\$ 15,019	\$ 14,702	\$ 2,357	
Nonoperating Revenues	4,475	5,295	4,197	(820)	
Total Revenues	21,851	20,314	18,899	1,537	7.6%
Operating Expense	10,044	11,346	11,176	(1,302)	
Depreciation Expense	4,252	3,873	3,670	379	
Nonoperating Expense	616	380	217	236	
Total Expenses	14,912	15,599	15,063	(687)	-4.4%
Changes in Net Position	6,939	4,715	3,836	2,224	
Beginning Net Position	103,848	99,133	95,297	4,715	
Total Net Position	\$ 110,787	\$ 103,848	\$ 99,133	\$ 6,939	6.7%

The major factors for fiscal year 2018 which drove these results:

- Most of the increase in operating revenues was the result of increased revenue from user charges and industrial user charges and penalties.
- The decrease in operating expenses was mainly due to lower pension costs and the completion of the south sludge lagoon restoration project that was being funded as a current expense.
- The net position increase is the result of revenues increasing and expenses decreasing.

**CAPITAL ASSETS**

At the end of fiscal years 2018 and 2017, the District had \$93,003,772 and \$94,401,601 invested in capital assets (net of depreciation), respectively. As of April 30, 2018, the District had various contracts for construction projects and engineering projects with outstanding commitments totaling \$2,460,043. The District is obligated to pay the cost under these contracts as the work is completed.

For fiscal year 2018 the decrease in net capital assets was the result of the amount of assets being disposed of exceeding the amount of new assets. The majority of this was from the final piece of an outdated distributive controls system being replaced with programmable logic controllers and triggering the removal of \$4.4 million in capital assets.



**SANITARY DISTRICT OF DECATUR  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED APRIL 30, 2018 AND 2017**

**DEBT ADMINISTRATION**

As of April 30, 2018, the District has outstanding loans from the Illinois Revolving Loan and Debt Certificates with Hickory Point Bank in the amount of \$33,226,457 of which the principal and interest due in the upcoming fiscal year are \$2,385,369 and \$452,877 respectively. As of April 30, 2017, the District had outstanding loans from the Illinois Revolving Loan Fund and Debt Certificates with Hickory Point Bank in the amount of \$36,459,740. 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 30% of the billable flow. The District expects to continue to see a small decrease in this user class. Unemployment continues to be about a half percent higher in the Decatur area than the rest of Illinois but there have been signs of improvement as the unemployment rate decreased from 5.4% in 2017 to 4.9% in 2018. Caterpillar has been working with Richland Community College to fill hundreds of open positions as production lines have been moved to Decatur from other locations and demand for existing products increases. Fuyao Glass Illinois has recently made \$200,000,000 of improvements at its plant in Mt. Zion, Illinois opening a second production line and requiring additional labor. The influence of the Midwest Inland Port continues to expand the attractiveness of Decatur as a destination for production and distribution jobs. 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 70% of the billable flow. Industrial user fee revenue increased by 18.1% in 2018 but the per unit user charge rate only increased by 6.8%. The industrial user fee is higher than the fee increase because the volume of waste discharged was higher and the amount of surcharges collected for higher strength waste was higher. The volume increase is expected to remain in future years but the surcharges are expected to return to normal levels.

The continuing financial instability for the State of Illinois is not anticipated to have a direct impact on the District. The District receives less than two percent (2%) of total revenue directly from the state.

**SANITARY DISTRICT OF DECATUR  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED APRIL 30, 2018 AND 2017**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (CONTINUED)**

Domestic user charge rates are listed below:

**Domestic User Charge Rates**

	<b>FY 17/18</b>	<b>FY 17/18</b>	<b>FY 16/17</b>	<b>FY 15/16</b>	<b>FY 14/15</b>	<b>FY 13/14</b>
Cost per 100 cu ft	\$ 1.43	\$ 1.41	\$ 1.32	\$ 1.22	\$ 1.12	\$ 1.03
Average annual costs per User's household	\$ 138.35	\$ 136.42	\$ 127.71	\$ 114.17	\$ 110.63	\$ 96.95

The District's long range capital financing plan calls for user fees to be increased by 3 to 7 cents per 100 cubic feet per year through 2027. This includes a projected increase of 4 cents in fiscal year 2019 to keep pace with increasing expenses. Regulatory changes are not factored in to the projections until they are known and 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 request 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, 2018 AND 2017**

	2018	2017
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 16,971,602	\$ 12,862,742
Investments	24,396,591	24,743,860
Receivables, Net	5,770,880	5,648,296
Prepaid Expenses	40,634	49,346
Notes Receivable - Village of Oreana, Current Portion	137,803	137,803
Notes Receivable - Argenta Sanitary District, Current Portion	109,854	103,560
Total Current Assets	47,427,364	43,545,607
<b>NONCURRENT ASSETS</b>		
Other Postemployment Benefits Asset	534,971	411,252
Net Pension Asset	2,932,334	-
Capital Assets, Net of Accumulated Depreciation	93,003,772	94,401,601
Notes Receivable - Village of Oreana, Less Current Portion	3,184,636	3,322,440
Notes Receivable - Argenta Sanitary District, Less Current Portion	4,807,556	4,917,409
Total Noncurrent Assets	104,463,269	103,052,702
Total Assets	151,890,633	146,598,309
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Amount Related to Pension Liability (Asset)	266,980	3,152,687
Total Assets and Deferred Outflows of Resources	\$ 152,157,613	\$ 149,750,996

See accompanying Notes to Financial Statements.

**SANITARY DISTRICT OF DECATUR  
STATEMENTS OF NET POSITION (CONTINUED)  
APRIL 30, 2018 AND 2017**

<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	2018	2017
<b>CURRENT LIABILITIES</b>		
Accounts Payable, Including Retainage of \$58,556 and \$475,197, Respectively	\$ 890,621	\$ 1,475,126
Accrued Expenses	635,500	608,618
Other Unearned Income	500,000	500,000
Debt Certificates, Current Maturities	553,756	1,127,450
Notes Payable, Current Maturities	1,831,613	1,795,718
Total Current Liabilities	4,411,490	5,506,912
<b>LONG-TERM LIABILITIES</b>		
Debt Certificates, Less Current Maturities	1,214,302	1,768,058
Notes Payable, Less Current Maturities	29,626,786	31,768,514
Net Pension Liability	-	2,849,743
Total Long-Term Liabilities	30,841,088	36,386,315
Total Liabilities	35,252,578	41,893,227
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Amount Related to Pension Liability (Asset)	2,539,041	175,736
Subsequent Year's Property Taxes	3,578,521	3,833,900
Total Deferred Inflows of Resources	6,117,562	4,009,636
<b>NET POSITION</b>		
Net Investment in Capital Assets	59,718,759	57,466,664
Restricted for Pension and OPEB	3,467,305	411,252
Unrestricted	47,601,409	45,970,217
Total Net Position	110,787,473	103,848,133
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 152,157,613	\$ 149,750,996

See accompanying Notes to Financial Statements.

**SANITARY DISTRICT OF DECATUR  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEARS ENDED APRIL 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>OPERATING REVENUES</b>		
Industrial User Charges and Penalties	\$ 12,064,926	\$ 9,641,947
User Charges	4,822,860	4,775,734
Annexations	7,359	30,824
Pump Stations	107,699	107,699
Miscellaneous	373,229	462,323
Total Operating Revenues	<u>17,376,073</u>	<u>15,018,527</u>
<b>OPERATING EXPENSES</b>		
Personnel Services	4,431,643	4,857,674
Operations and Maintenance	3,106,106	4,007,618
Building and Grounds	292,171	176,488
Contractual/Outside Services	880,051	962,873
Depreciation Expense	4,251,978	3,873,261
Bad Debt Expense (Recovery)	(15,613)	7,963
General and Administrative Expenses	1,350,091	1,330,887
Total Operating Expenses	<u>14,296,427</u>	<u>15,216,764</u>
<b>OPERATING INCOME (LOSS)</b>	3,079,646	(198,237)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Property Taxes	3,845,731	3,528,836
Replacement Taxes	351,809	420,447
State Funding	-	1,254,245
Net Investment Loss	(201,340)	(18,696)
Interest Expense	(414,161)	(362,241)
Gain on Disposal of Assets	185,040	1,394
Other Income	92,615	89,605
Total Nonoperating Revenues	<u>3,859,694</u>	<u>4,913,590</u>
<b>CHANGE IN NET POSITION</b>	6,939,340	4,715,353
Net Position - Beginning of Year	<u>103,848,133</u>	<u>99,132,780</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 110,787,473</u>	<u>\$ 103,848,133</u>

See accompanying Notes to Financial Statements.

**SANITARY DISTRICT OF DECATUR  
STATEMENTS OF CASH FLOWS  
YEARS ENDED APRIL 30, 2018 AND 2017**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers and Users	\$ 16,995,765	\$ 15,363,406
Payments to Suppliers	(6,188,599)	(7,445,435)
Payments to Employees	(5,051,873)	(7,185,420)
Net Cash Provided by Operating Activities	5,755,293	732,551
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Property Tax Receipts	3,845,731	3,528,836
Replacement Tax Receipts	341,149	418,537
Net Cash Provided by Noncapital Financing Activities	4,186,880	3,947,373
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of Capital Assets	(2,855,258)	(3,305,704)
Proceeds from the Sale of Capital Assets	186,149	9,000
Principal Payments on Notes Payable and Debt Certificates	(3,234,297)	(3,129,321)
State Funding	-	979,245
Proceeds from Notes Payable and Debt Certificates	1,014	2,953,178
Interest Paid on Notes Payable and Debt Certificates	(423,833)	(266,417)
Receipts on Notes Receivable	333,978	324,895
Net Cash Used in Capital and Related Financing Activities	(5,992,247)	(2,435,124)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale and Maturity of Investments	3,915,000	1,595,000
Purchase of Investments	(4,070,365)	(10,613,826)
Interest Income Received	314,299	133,106
Net Cash Provided by (Used in) Investing Activities	158,934	(8,885,720)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	4,108,860	(6,640,920)
Cash and Cash Equivalents - Beginning of Year	12,862,742	19,503,662
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 16,971,602	\$ 12,862,742

See accompanying Notes to Financial Statements.

**SANITARY DISTRICT OF DECATUR  
STATEMENTS OF CASH FLOWS (CONTINUED)  
YEARS ENDED APRIL 30, 2018 AND 2017**

	2018	2017
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Net Operating Income (Loss)	\$ 3,079,646	\$ (198,237)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	4,251,978	3,873,261
Bad Debt Expense	(15,613)	7,963
Effects of Changes in Operating Assets and Liabilities:		
Receivables	(364,695)	336,916
Prepaid Expenses	(115,007)	(108,290)
Accounts Payable	(584,505)	(960,192)
Accrued Expenses	36,554	21,670
Net Pension Liability (Asset)	(5,782,077)	(1,517,998)
Deferred Outflows of Resources	2,885,707	(898,278)
Deferred Inflows of Resources	2,363,305	175,736
	\$ 5,755,293	\$ 732,551

See accompanying Notes to Financial Statements.

**SANITARY DISTRICT OF DECATUR  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2018 AND 2017**

**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 sub-funds 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. 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  
APRIL 30, 2018 AND 2017**

**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  
APRIL 30, 2018 AND 2017**

**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. 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:

Land	Nondepreciable
Land Improvements	8 – 50 Years
Buildings and Improvements	15 – 50 Years
Infrastructure	50 Years
Machinery and Equipment	5 – 15 Years
Vehicles	8 Years

Work 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. The amount of interest capitalized depends on the specific circumstances. Interest of \$171,023 and \$231,369 was capitalized in fiscal years 2018 and 2017, 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 one type of deferred outflow of resources which occurs related to its pension plans. The District has deferred outflows related to pension expense 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  
APRIL 30, 2018 AND 2017**

**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 year-end 2018, the carrying value of the District's deposits including cash and money markets were \$16,971,602 and the respective bank balances totaled \$16,859,197. At year-end 2017, the carrying value of the District's deposits including cash and money markets were \$12,862,742 and the respective bank balances totaled \$12,800,188.

**SANITARY DISTRICT OF DECATUR  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2018 AND 2017**

**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 \$16,259,894 at April 30, 2018, were rated Aaa by Moody's Investors Service. At April 30, 2018, the District's investments representing greater than 5% of their portfolio were U.S. treasury notes, which totaled \$16,259,894. The District's investments in U.S. treasury notes of \$17,667,389 at April 30, 2017, were rated Aaa by Moody's Investors Service. At April 30, 2017, the District's investments representing greater than 5% of their portfolio were U.S. treasury notes, which totaled \$17,667,389.

**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, 2018 and 2017, the District's bank deposits were fully insured or collateralized.

**SANITARY DISTRICT OF DECATUR  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2018 AND 2017**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

As of April 30, 2018, 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	\$ 4,102,087	\$ 512,984	\$ 3,589,103	\$ -
Certificates of Deposit - Nonnegotiable	4,034,610	1,004,498	3,030,112	-
U.S. Treasury Notes	16,259,894	5,245,079	10,030,285	984,530
<b>Total</b>	<b>\$ 24,396,591</b>	<b>\$ 6,762,561</b>	<b>\$ 16,649,500</b>	<b>\$ 984,530</b>

As of April 30, 2017, 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	\$ 3,076,471	\$ 986,592	\$ 2,089,879	\$ -
Certificates of Deposit - Nonnegotiable	4,000,000	1,000,000	3,000,000	-
U.S. Treasury Notes	17,667,389	2,735,894	11,467,837	3,463,658
<b>Total</b>	<b>\$ 24,743,860</b>	<b>\$ 4,722,486</b>	<b>\$ 16,557,716</b>	<b>\$ 3,463,658</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 significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District has the following recurring fair value measurements as of April 30, 2018 and 2017:

Level 2 Inputs of \$20,361,981 and \$20,743,860 for 2018 and 2017, respectively, including negotiable certificates of deposit and U.S. treasury securities.

**SANITARY DISTRICT OF DECATUR  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2018 AND 2017**

**NOTE 3 RECEIVABLES**

Receivables are summarized as follows as of April 30:

	<u>2018</u>	<u>2017</u>
Property Tax Receivable	\$ 3,578,521	\$ 3,833,900
Replacement Tax Receivable	75,306	64,646
Interest Receivable	107,563	120,568
Billed User Charges, Net Allowance of Doubtful Accounts of \$60,451 and \$76,064, Respectively	203,231	217,606
Unbilled User Charges	219,556	203,993
Industrial User Charges	<u>1,586,703</u>	<u>1,207,583</u>
Total	<u>\$ 5,770,880</u>	<u>\$ 5,648,296</u>

**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 85% of the District's operating revenues for the year ended April 30, 2018, was from two industrial customers. The accounts receivable from these two customers totaled \$1,521,601 at April 30, 2018. Approximately 80% of the District's operating revenues for the year ended April 30, 2017, was from two industrial customers. The accounts receivable from these two customers totaled \$1,155,267 at April 30, 2017.

**SANITARY DISTRICT OF DECATUR  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2018 AND 2017**

**NOTE 5 CAPITAL ASSETS**

Following is a summary of changes in capital assets and related depreciation for fiscal years ended April 30, 2018 and 2017.

	Balance <u>April 30, 2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>April 30, 2018</u>
Capital Assets, not being Depreciated:				
Land	\$ 2,935,993	\$ -	\$ -	\$ 2,935,993
Work in Progress	<u>9,963,324</u>	<u>1,642,808</u>	<u>10,268,412</u>	<u>1,337,720</u>
Total Capital Assets not being Depreciated	12,899,317	1,642,808	10,268,412	4,273,713
Capital Assets being Depreciated:				
Buildings and Improvements	70,694,306	10,101,394	-	80,795,700
Infrastructure	77,123,378	373,283	-	77,496,661
Machinery and Equipment	62,891,969	932,151	4,705,001	59,119,119
Vehicles	2,260,065	26,751	625,888	1,660,928
Land Improvements	<u>5,518,242</u>	<u>47,283</u>	<u>-</u>	<u>5,565,525</u>
Total Capital Assets being Depreciated	218,487,960	<u>11,480,862</u>	<u>5,330,889</u>	224,637,933
Less Accumulated Depreciation	<u>136,985,676</u>	<u>4,251,978</u>	<u>5,329,780</u>	<u>135,907,874</u>
Capital Assets, Net	<u>\$ 94,401,601</u>			<u>\$ 93,003,772</u>

**SANITARY DISTRICT OF DECATUR  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2018 AND 2017**

**NOTE 5 CAPITAL ASSETS (CONTINUED)**

	Balance April 30, 2016	Increases	Decreases	Balance April 30, 2017
Capital Assets, not being Depreciated:				
Land	\$ 2,935,993	\$ -	\$ -	\$ 2,935,993
Work in Progress	17,581,907	2,676,904	10,295,487	9,963,324
Total Capital Assets not being Depreciated	20,517,900	2,676,904	10,295,487	12,899,317
Capital Assets being Depreciated:				
Buildings and Improvements	65,443,531	5,250,775	-	70,694,306
Infrastructure	73,533,078	3,590,300	-	77,123,378
Machinery and Equipment	61,473,491	1,951,054	532,576	62,891,969
Vehicles	2,126,090	133,975	-	2,260,065
Land Improvements	5,518,242	-	-	5,518,242
Total Capital Assets being Depreciated	208,094,432	<u>10,926,104</u>	<u>532,576</u>	218,487,960
Less Accumulated Depreciation	133,635,568	<u>3,873,261</u>	<u>523,153</u>	136,985,676
Capital Assets, Net	<u>\$ 94,976,764</u>			<u>\$ 94,401,601</u>

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

	2018	2017
Biogas Co-Generation Replacement Project	\$ 153,360	\$ 150,900
Spring Creek Pipe Bridge	-	49,310
Hickory Point Pump Station Replacement	-	1,239,691
Digester Facility Mixers	-	8,381,389
West Headworks Improvements	559,501	142,034
P2 and Primary Clarifier Restoration and Coating	494,793	-
Paint Booth	31,094	-
SE 36 Interceptor	94,472	-
Drying Bed Improvements	4,500	-
Total	<u>\$ 1,337,720</u>	<u>\$ 9,963,324</u>



**SANITARY DISTRICT OF DECATUR  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2018 AND 2017**

**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, 2018 and 2017, the Village owed \$3,322,439 and \$3,460,243, 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>
2019	\$ 137,803	\$ -	\$ 137,803
2020	137,803	-	137,803
2021	137,803	-	137,803
2022	137,803	-	137,803
2023	137,803	-	137,803
2024 - 2028	689,017	-	689,017
2029 - 2033	689,017	-	689,017
2034 - 2038	689,017	-	689,017
2039 - 2043	566,373	-	566,373
Total	<u>\$ 3,322,439</u>	<u>\$ -</u>	<u>\$ 3,322,439</u>

**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, 2018 and 2017, the Argenta Sanitary District owed \$4,917,410 and \$5,020,969, 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>
2019	\$ 109,854	\$ 61,133	\$ 170,987
2020	116,376	59,740	176,116
2021	123,136	58,264	181,400
2022	130,138	56,704	186,842
2023	137,393	55,055	192,448
2024 - 2028	805,162	247,219	1,052,381
2029 - 2033	1,021,643	190,821	1,212,464
2034 - 2038	1,138,739	122,946	1,261,685
2039 - 2043	1,211,946	49,739	1,261,685
2044	123,023	769	123,792
Total	<u>\$ 4,917,410</u>	<u>\$ 902,390</u>	<u>\$ 5,819,800</u>

**SANITARY DISTRICT OF DECATUR  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2018 AND 2017**

**NOTE 7 LONG-TERM DEBT**

**Notes Payable**

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

Hickory Point West Interceptor Project

Note payable to the IEPA, for the Hickory Point West Interceptor project; interest at 2.625%; 38.71% payable to Village of Forsyth; due in semi-annual installments in February and August of each year through February 2020.

Ultra Violet Project

Note payable to the IEPA, for the Ultra Violet project; interest at 2.535%; due in semi-annual installments in June and December of each year through June 2020.

2002 Rehabilitation Project

Note payable to the IEPA, for the 2002 Rehabilitation project; interest at 2.500%; due in semi-annual installments in July and January of each year through January 2024.

Damon to Monroe Project

Note payable to the IEPA, for the Damon to Monroe project; interest at 2.500%; due in semi-annual installments in January and July of each year through July 2024.

Phase 2 – WWTP Project

Note payable to the IEPA, for the Phase 2 – WWTP project; interest at 2.570%; due in semi-annual installments in January and July of each year through January 2024.

Odor Control Project

Note payable to the IEPA, for the Odor Control project; interest at 2.500%; due in semi-annual installments in April and October of each year through January 2027.

2004 Rehabilitation Project

Note payable to the IEPA, for the 2004 Rehabilitation project; interest at 2.500%; due in semi-annual installments in June and December of each year through December 2025.

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.

**SANITARY DISTRICT OF DECATUR  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2018 AND 2017**

**NOTE 7 LONG-TERM DEBT (CONTINUED)**

**Notes Payable (Continued)**

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 1.2500%; 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 1.2500%; 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 1.9300%; due in semi-annual installments in November and May each year through 2035.

Sludge Thickening System

Note payable to the IEPA, for the Sludge Thickening System; interest at 1.9950%; 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 2.2100%; 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 2.2100%; due in semi-annual installments each year through February 2036.

**SANITARY DISTRICT OF DECATUR  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2018 AND 2017**

**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, 2018:

	Principal Outstanding April 30, 2017	Issuances	Retirements	Principal Outstanding April 30, 2018	Current Portion
Hickory Point West Interceptor project	\$ 15,214	\$ -	\$ 15,214	\$ -	\$ -
Ultra Violet project	438,757	-	121,437	317,320	124,535
2002 Rehabilitation project	224,168	-	30,168	194,000	30,927
Damon to Monroe project	1,247,781	-	154,491	1,093,290	158,377
Phase 2 – WWTP project	829,013	-	110,445	718,568	113,302
Odor Control project	380,152	-	33,908	346,244	34,761
2004 Rehabilitation project	796,873	-	82,089	714,784	84,154
Wyckles Forcemain project I	567,517	-	42,038	525,479	42,038
Oreana Collection System project	3,540,425	-	252,887	3,287,538	252,887
Wyckles Phase II project	549,386	-	40,695	508,691	40,695
Argenta Collection System proejct	4,506,249	-	274,924	4,231,325	138,752
Stevens Creek Interceptor Rehab project	1,231,641	-	75,142	1,156,499	76,084
2011 Trestle Rehab project	1,891,313	-	111,308	1,780,005	112,703
Primary Digester Upgrade	6,984,144	-	317,450	6,666,694	161,026
Sludge Thickening System	4,812,755	1,014	203,831	4,609,938	215,200
East Side Separation Rehabilitation	2,057,560	-	91,134	1,966,426	93,159
Odor Control Project – Phase II	3,491,284	-	149,686	3,341,598	153,013
Totals	<u>\$ 33,564,232</u>	<u>\$ 1,014</u>	<u>\$ 2,106,847</u>	<u>\$ 31,458,399</u>	<u>\$ 1,831,613</u>

**SANITARY DISTRICT OF DECATUR  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2018 AND 2017**

**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, 2017:

	Principal Outstanding April 30, 2016	Issuances	Retirements	Principal Outstanding April 30, 2017	Current Portion
Hickory Point West Interceptor project	\$ 124,786	\$ -	\$ 109,572	\$ 15,214	\$ 15,214
Ultra Violet project	557,173	-	118,416	438,757	121,437
2002 Rehabilitation project	253,596	-	29,428	224,168	30,168
Damon to Monroe project	1,398,481	-	150,700	1,247,781	154,491
Phase 2 – WWTP project	936,674	-	107,661	829,013	110,445
Odor Control project	413,228	-	33,076	380,152	33,908
2004 Rehabilitation project	876,947	-	80,074	796,873	82,089
Wyckles Forcemain project I	609,555	-	42,038	567,517	42,038
Oreana Collection System project	3,793,312	-	252,887	3,540,425	252,887
Wyckles Phase II project	590,081	-	40,695	549,386	40,695
Argenta Collection System project	4,777,502	266	271,519	4,506,249	137,034
Stevens Creek Interceptor Rehab project	1,305,852	-	74,211	1,231,641	75,142
2011 Trestle Rehab project	2,001,242	-	109,929	1,891,313	111,307
Primary Digester Upgrade	6,729,720	553,861	299,437	6,984,144	157,963
Sludge Thickening System	3,643,143	1,527,514	357,902	4,812,755	203,830
East Side Separation Rehabilitation	2,146,713	-	89,153	2,057,560	91,134
Odor Control Project – Phase II	2,686,603	871,536	66,855	3,491,284	135,936
Totals	<u>\$ 32,844,608</u>	<u>\$ 2,953,177</u>	<u>\$ 2,233,553</u>	<u>\$ 33,564,232</u>	<u>\$ 1,795,718</u>

**SANITARY DISTRICT OF DECATUR  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2018 AND 2017**

**NOTE 7 LONG-TERM DEBT (CONTINUED)**

The District entered into a note payable agreement in January 2018 with the Illinois Environmental Protection Agency (IEPA), for the SE 36 Interceptor Project for the amount of \$1,204,662. It carries an interest rate of 1.76%, the term of the loan is 20 years, and it requires semi-annual payments of principal and interest, beginning April 2019 through October 2038.

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>
2019	\$ 1,831,613	\$ 415,550	\$ 2,247,163
2020	2,164,689	473,032	2,637,721
2021	2,135,243	436,580	2,571,823
2022	2,104,052	401,875	2,505,927
2023	2,138,635	367,291	2,505,926
2024 - 2028	9,574,549	1,354,510	10,929,059
2029 - 2033	8,333,114	680,815	9,013,929
2034 - 2036	3,176,504	112,281	3,288,785
Total	<u>\$ 31,458,399</u>	<u>\$ 4,241,934</u>	<u>\$ 35,700,333</u>

**Debt Certificates**

On June 26, 2013, the District issued debt certificates for \$5,140,000. The proceeds of the debt certificates were used to pay off four IEPA loans: Stevens Creek Supplemental Interceptor, McKinley Avenue Supplemental Interceptor, 1995 Sewer Rehabilitation Project, and the Northeast Supplemental Sewer Project. Principal and interest are due June 26 and December 26 at an interest rate of 2.00%. At April 30, 2018 and 2017, there was principal outstanding in the amount of \$850,091 and \$1,740,294, respectively.

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, 2018 and 2017, there was principal outstanding in the amount of \$917,967 and \$1,155,214, respectively.

	<u>Balance April 30, 2017</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance April 30, 2018</u>	<u>Current</u>
General Obligation Debt Certificates, Series 2013	\$ 1,740,294	\$ -	\$ 890,203	\$ 850,091	\$ 310,421
General Obligation Debt Certificates, Series 2015	1,155,214	-	237,247	917,967	243,335
Totals	<u>\$ 2,895,508</u>	<u>\$ -</u>	<u>\$ 1,127,450</u>	<u>\$ 1,768,058</u>	<u>\$ 553,756</u>

**SANITARY DISTRICT OF DECATUR  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2018 AND 2017**

**NOTE 7 LONG-TERM DEBT (CONTINUED)**

**Debt Certificates (Continued)**

	Balance April 30, 2016	Issuances	Retirements	Balance April 30, 2017	Current
General Obligation Debt Certificates, Series 2013	\$ 2,679,751	\$ -	\$ 939,457	\$ 1,740,294	\$ 890,203
General Obligation Debt Certificates, Series 2015	1,386,524	-	231,310	1,155,214	237,247
Totals	<u>\$ 4,066,275</u>	<u>\$ -</u>	<u>\$ 1,170,767</u>	<u>\$ 2,895,508</u>	<u>\$ 1,127,450</u>

Annual debt service requirements to maturity for debt certificates are as follows:

<u>Year Ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 553,756	\$ 37,327	\$ 591,083
2020	427,445	27,957	455,402
2021	295,442	19,072	314,514
2022	209,320	11,392	220,712
2023	41,060	7,611	48,671
2024 - 2028	218,017	20,253	238,270
2029	23,018	483	23,501
Total	<u>\$ 1,768,058</u>	<u>\$ 124,095</u>	<u>\$ 1,892,153</u>

**NOTE 8 PENSION PLAN**

**IMRF Plan Description**

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

**SANITARY DISTRICT OF DECATUR  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2018 AND 2017**

**NOTE 8 PENSION PLAN (CONTINUED)**

**Benefits Provided (Continued)**

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 1-2/3% 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 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
- 1/2 of the increase in the Consumer Price Index of the original pension amount.

**Employees Covered by Benefit Terms**

As of December 31, 2017, the following employees were covered by the benefit terms:

Retirees and Beneficiaries Currently Receiving Benefits	87
Inactive Plan Members Entitled to but not yet Receiving Benefits	9
Active Plan Members	55
Total	151

**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 2017 and 2016 was 13.83% and 14.39%, respectively. For the fiscal years 2018 and 2017, the District's required contribution was \$468,076 and \$485,153, respectively, to the plan and the District contributed \$468,076 and \$2,951,153, 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.



**SANITARY DISTRICT OF DECATUR  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2018 AND 2017**

**NOTE 8 PENSION PLAN (CONTINUED)**

**Net Pension Liability (Asset)**

The District's net pension liability (asset) was measured as of December 31, 2017 and 2016. 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, 2017 and 2016:

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 2.50% (2017) and 2.75% (2016).
- **Salary Increases** were expected to be 3.39% to 14.25%, including inflation, for 2017, and 3.75% to 14.50% in 2016.
- The **Investment Rate of Return** was assumed to be 7.50%.
- **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2017 valuation pursuant to an experience study from years 2014 to 2016 for 2017. Projected Retirement Age was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013 for 2016.
- The IMRF-specific rates for **Mortality** (for nondisabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience for 2017 and 2016.
- 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 nondisabled lives for 2017. For Disabled Retirees, and IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied to nondisabled lives for 2016.
- 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 for 2017. For Active Members, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for nondisabled lives for 2016.

**SANITARY DISTRICT OF DECATUR  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2018 AND 2017**

**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 2017:

<u>Asset Class</u>	<u>Portfolio Target Percentage</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	37.0%	6.85%
International Equity	18.0%	6.75%
Fixed Income	28.0%	3.00%
Real Estate	9.0%	5.75%
Alternative Investments	7.0%	2.65 - 7.35%
Cash Equivalents	1.0%	2.25%
Total	<u>100.0%</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 2016:

<u>Asset Class</u>	<u>Portfolio Target Percentage</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	38.0%	6.85%
International Equity	17.0%	6.75%
Fixed Income	27.0%	3.00%
Real Estate	8.0%	5.75%
Alternative Investments	9.0%	2.65 - 7.35%
Cash Equivalents	1.0%	2.25%
Total	<u>100.0%</u>	

**SANITARY DISTRICT OF DECATUR  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2018 AND 2017**

**NOTE 8 PENSION PLAN (CONTINUED)**

**Single Discount Rate**

A Single Discount Rate of 7.50% 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 7.50% for 2017 and 2016, the municipal bond rate is 3.31% for 2017 and 3.78% for 2016, and the resulting single discount rate is 7.50% for 2017 and 2016.

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

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (Asset) (A) - (B)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Balances at December 31, 2016</b>	\$ 32,800,202	\$ 29,950,459	\$ 2,849,743
Changes:			
Service Cost	366,524	-	366,524
Interest on the Total Pension Liability	2,401,678	-	2,401,678
Differences Between Expected and Actual Experience of the Total Pension Liability	102,447	-	102,447
Changes of Assumptions	(933,051)	-	(933,051)
Contributions - Employer	-	2,455,889	(2,455,889)
Contributions - Employees	-	162,768	(162,768)
Net Investment Income	-	2,251,660	(2,251,660)
Difference Between Projected and and Actual Investment Income	-	2,876,980	(2,876,980)
Benefit Payments, Including Refunds of Employee Contributions	(1,922,170)	(1,922,170)	-
Other (Net Transfer)	-	(27,622)	27,622
Net Changes	<u>15,428</u>	<u>5,797,505</u>	<u>(5,782,077)</u>
<b>Balances at December 31, 2017</b>	<u>\$ 32,815,630</u>	<u>\$ 35,747,964</u>	<u>\$ (2,932,334)</u>

**SANITARY DISTRICT OF DECATUR  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2018 AND 2017**

**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 (A) - (B)
<b>Balances at December 31, 2015</b>	\$ 32,237,617	\$ 27,869,876	\$ 4,367,741
Changes:			
Service Cost	360,112	-	360,112
Interest on the Total Pension Liability	2,350,315	-	2,350,315
Differences Between Expected and Actual Experience of the Total Pension Liability	(130,108)	-	(130,108)
Changes of Assumptions	(109,165)	-	(109,165)
Contributions - Employer	-	1,710,406	(1,710,406)
Contributions - Employees	-	153,085	(153,085)
Net Investment Income	-	2,100,762	(2,100,762)
Difference Between Projected and and Actual Investment Income	-	53,569	(53,569)
Benefit Payments, Including Refunds of Employee Contributions	(1,908,569)	(1,908,569)	-
Other (Net Transfer)	-	(28,670)	28,670
Net Changes	<u>562,585</u>	<u>2,080,583</u>	<u>(1,517,998)</u>
<b>Balances at December 31, 2016</b>	<u>\$ 32,800,202</u>	<u>\$ 29,950,459</u>	<u>\$ 2,849,743</u>

**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 7.50%, 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 2017:

	1% Lower (6.50%)	Current Discount (7.50%)	1% Higher (8.50%)
Net Pension Liability (Asset)	<u>\$ 834,097</u>	<u>\$ (2,932,334)</u>	<u>\$ (6,088,944)</u>

The following presents the plan's net pension liability (asset), calculated using a Single Discount Rate of 7.50%, 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 2016:

	1% Lower (6.50%)	Current Discount (7.50%)	1% Higher (8.50%)
Net Pension Liability (Asset)	<u>\$ 6,744,255</u>	<u>\$ 2,849,743</u>	<u>\$ (401,068)</u>

**SANITARY DISTRICT OF DECATUR  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2018 AND 2017**

**NOTE 8 PENSION PLAN (CONTINUED)**

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

For the years ended April 30, 2018 and 2017, the District recognized pension expense (income) of \$(115,782) and \$782,284, respectively. At April 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Deferred Amounts Related to Pensions</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<i>Deferred Amounts to be Recognized in Pension Expense in Future Periods:</i>		
Differences between Expected and Actual Changes of Assumptions	\$ 127,578	\$ 61,010
Net Difference between Projected and Actual Earnings on Pension Plan Investments	7,612	738,436
	<u>-</u>	<u>1,739,595</u>
Total Deferred Amounts to be Recognized in Pension Expense in Future Periods	135,190	2,539,041
<i>Pension Contributions Made Subsequent to the Measurement Date</i>	<u>131,790</u>	<u>-</u>
Total Deferred Amounts Related to Pensions	<u>\$ 266,980</u>	<u>\$ 2,539,041</u>

\$131,790 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 (asset) in the year ended April 30, 2019.

**SANITARY DISTRICT OF DECATUR  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2018 AND 2017**

**NOTE 8 PENSION PLAN (CONTINUED)**

**Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Continued)**

At April 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Deferred Amounts Related to Pensions</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<i>Deferred Amounts to be Recognized in Pension Expense in Future Periods:</i>		
Differences between Expected and Actual Changes of Assumptions	\$ 116,880	\$ 95,559
Net Difference between Projected and Actual Earnings on Pension Plan Investments	17,071	80,177
	<u>848,340</u>	<u>-</u>
Total Deferred Amounts to be Recognized in Pension Expense in Future Periods	982,291	175,736
<i>Pension Contributions Made Subsequent to the Measurement Date</i>	<u>2,170,396</u>	<u>-</u>
Total Deferred Amounts Related to Pensions	<u>\$ 3,152,687</u>	<u>\$ 175,736</u>

\$2,170,396 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date was recognized as a reduction of the net pension liability in the year ended April 30, 2018.

The net amount reported as deferred outflows of resources and deferred inflows of resources related to pensions as of April 30, 2018, 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 of Resources</u>
2019	\$ (511,666)
2020	(556,524)
2021	(760,266)
2022	(575,395)
Total	<u>\$ (2,403,851)</u>

**SANITARY DISTRICT OF DECATUR  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2018 AND 2017**

**NOTE 9 OTHER POSTEMPLOYMENT BENEFITS**

**Plan Description**

In addition to providing the pension benefits described in Note 8, the District provides other postemployment health care benefits (OPEB) for retired employees through a single employer defined benefit plan (Retiree Healthcare Program). This plan has three components: Retirement Health Savings Program, Health Premium Supplement Program, and Deductible Reimbursement Program. Even though Retirement Health Savings Program has defined contribution characteristics, plans with both defined contribution and defined benefit characteristics follow defined benefit plan requirements. Furthermore, the Retirement Health Savings Accounts are not considered OPEB plan assets for purposes of this report. These account balances do offset the District's liabilities under the Health Premium Supplement Program. The calculations of the liabilities associated with the Health Premium Supplement Program recognize this offset. The District has the authority to establish and amend the benefit provisions of this plan. The plan does not issue a separate report.

**Monthly Retiree Contributions**

Retirees make no contributions toward the cost of the District postemployment reimbursement plan.

**Employer Contributions**

The District's postemployment reimbursement plan is funded on a pay-as-you-go basis. For each month of service (but not beginning prior to May 1, 1998), \$75 is deposited into an employee's Retirement Health Savings Account. Additionally, 1-1/4% of an employee's salary (up to a maximum salary base of \$100,000) is also deposited into an employee's Retirement Health Savings Account.

After retirement, if the Retirement Health Savings Account is depleted, the District will reimburse the retiree for the medical plan premium, up to a maximum amount equal to the premium that was in effect at the time of retirement.

The District also contributes an amount to reimburse each participating retiree for the portion of the annual deductible that is incurred in excess of \$500.

**Annual OPEB Cost and Net OPEB Asset**

The Annual OPEB Cost is calculated based on the Annual Required Contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years.

**SANITARY DISTRICT OF DECATUR  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2018 AND 2017**

**NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

The net OPEB asset was calculated as follows:

	<u>2018</u>	<u>2017</u>
Annual Required Contribution	\$ 142,269	\$ 136,797
Interest on Net OPEB Asset	(16,450)	(12,095)
Adjustment to Annual Required Contribution	13,708	10,079
Annual OPEB Cost	<u>139,527</u>	<u>134,781</u>
Contributions Made by the District	<u>(263,246)</u>	<u>(243,657)</u>
Increase in Net OPEB Asset	(123,719)	(108,876)
Net OPEB Asset - Beginning of Year	<u>(411,252)</u>	<u>(302,376)</u>
Net OPEB Asset - End of Year	<u>\$ (534,971)</u>	<u>\$ (411,252)</u>

The District's annual OPEB cost, percentage of OPEB cost contributed, and net postemployment benefit obligation (asset) for the plan for the following fiscal years ended April 30 are as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Asset</u>
2018	\$ 139,528	189.0%	\$ (534,971)
2017	134,781	180.8%	(411,252)
2016	129,851	138.2%	(302,376)
2015	130,852	128.5%	(252,802)

	<u>2018</u>	<u>2017</u>
<b><u>Schedule of Employer Contributions</u></b>		
Actuarial Valuation Date	May 1, 2015	May 1, 2015
Annual Required Contribution (ARC)	\$142,269	\$136,797
Estimated Contributions made by the District	\$263,246	\$243,657
Percentage of ARC Contributed	189.0%	178.1%

<b><u>Funded Status and Funding Progress</u></b>		
Actuarial Valuation Date	May 1, 2015	May 1, 2015
Actuarial Accrued Liability (AAL)	\$2,083,452	\$2,083,452
Unfunded Actuarial Accrued Liability (UAAL)	\$2,083,452	\$2,083,452
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%	0%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARCs of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the AALs for benefits.



**SANITARY DISTRICT OF DECATUR  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2018 AND 2017**

**NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the District and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the District and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the May 1, 2015, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included an investment return rate of 4%, salary increases comprised of a wage inflation component of 4%, and a healthcare cost trend rate of 3.2%. The calculations assume a level dollar open amortization period and amortization factor of 30.000.

There are no assets that have been set aside to fund the liabilities for this plan.

There was a significant increase in the actuarial accrued liability and unfunded actuarial accrued liability from the last actuarial calculation completed as of May 1, 2013. This increase was due to a few key factors, which included an increase in the number of retirees (17 to 27), and some changes in assumptions including healthcare cost trend rate (5% to 7.8%), spousal coverage was included, and liability for post-65 coverage was included.

**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, 2018, the District had various contracts for construction projects and engineering projects at varying stages of completion with outstanding commitments totaling approximately \$2,460,043. The District is obligated to pay the costs under these contracts as the work is completed.

Subsequent to year-end 2018, the District entered into various contracts for construction projects and engineering projects with commitments totaling approximately \$11,022,865. The District is obligated to pay the costs under these contracts as the work is completed.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SANITARY DISTRICT OF DECATUR  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
ILLINOIS MUNICIPAL RETIREMENT FUND  
(UNAUDITED)**

Fiscal Year Ended April 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a Percentage of Covered Valuation Payroll
2018	\$ 468,076	\$ 468,076	\$ -	\$ 3,578,565	13.08%
2017	\$ 485,153	\$ 2,951,153	\$ (2,466,000)	\$ 3,414,684	86.43%
2016	\$ 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 NET POSITION LIABILITY (ASSET) AND RELATED RATIOS**  
**ILLINOIS MUNICIPAL RETIREMENT FUND**  
**(UNAUDITED)**

Calendar Year Ended December 31,	2017	2016	2015
<b>TOTAL PENSION LIABILITY</b>			
Service Cost	\$ 366,524	\$ 360,112	\$ 408,884
Interest	2,401,678	2,350,315	2,272,329
Changes in Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	102,447	(130,108)	246,402
Changes of Assumptions	(933,051)	(109,165)	35,988
Benefit Payments, Including Refunds of Employee Contributions	(1,922,170)	(1,908,569)	(1,800,538)
Net Change in Total Pension Liability	15,428	562,585	1,163,065
Total Pension Liability - Beginning	32,800,202	32,237,617	31,074,552
Total Pension Liability - Ending	32,815,630	32,800,202	32,237,617
<b>PLAN FIDUCIARY NET POSITION</b>			
Contributions - Employer	2,455,889	1,710,406	878,601
Contributions - Employee	162,768	153,085	165,740
Net Investment Income	5,128,640	2,154,331	574,993
Benefit Payments, Including Refunds of Employee Contributions	(1,922,170)	(1,908,569)	(1,800,538)
Other	(27,622)	(28,670)	(80,906)
Net Change in Plan Fiduciary Net Position	5,797,505	2,080,583	(262,110)
Plan Fiduciary Net Position - Beginning	29,950,459	27,869,876	28,131,986
Plan Fiduciary Net Position - Ending	35,747,964	29,950,459	27,869,876
<b>NET PENSION LIABILITY (ASSET) - ENDING</b>	<u>\$ (2,932,334)</u>	<u>\$ 2,849,743</u>	<u>\$ 4,367,741</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	108.94%	91.31%	86.45%
Covered Payroll	\$ 3,542,223	\$ 3,401,867	\$ 3,632,546
District's Net Pension Liability (Asset) as a Percentage of Covered Payroll	-82.78%	83.77%	120.24%

**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 FUNDING PROGRESS  
OTHER POSTEMPLOYMENT BENEFITS  
(UNAUDITED)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
05/01/15	\$ -	\$ 2,083,452 *	\$ 2,083,452	-	\$ 3,338,130	62.4%
05/01/13	\$ -	\$ 1,226,402	\$ 1,226,402	-	\$ 3,477,755	35.3%
05/01/11	\$ -	\$ 1,371,842	\$ 1,371,842	-	\$ 3,595,230	38.2%

\*There was a significant increase in the actuarial accrued liability and unfunded actuarial accrued liability from the last actuarial calculation completed as of May 1, 2013. This increase was due to a few key factors, which included an increase in the number of retirees (17 to 27), and some changes in assumptions including healthcare cost trend rate (5% to 7.8%), spousal coverage was included, and liability for post-65 coverage was included.

**SANITARY DISTRICT OF DECATUR  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
APRIL 30, 2018 AND 2017**

**Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2017 Contribution Rate\***

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

**Methods and Assumptions Used to Determine 2017 Contribution Rates**

Actuarial Cost Method: Aggregate entry age normal  
Amortization Method: Level percentage of payroll, closed  
Remaining Amortization Period:  
Nontaxing bodies: 10-year rolling period.  
Taxing bodies (Regular, SLEP and ECO groups):  
26-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 21 years for most employers (two employers were financed over 30 years).*

Asset Valuation Method: 5-year smoothed market; 20% corridor  
Wage Growth: 3.50%  
Price Inflation: 2.75%, approximate; No explicit price inflation assumption is used in this valuation.  
Salary Increases: 3.75% to 14.50%, including inflation  
Investment Rate of Return: 7.50%  
Retirement Age: Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013.  
Mortality: For nondisabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustments that were applied for nondisabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

**Other Information**

There were no benefit changes during the year.

\* Based on Valuation Assumptions used in the December 31, 2015, actuarial valuation; note two year lag between valuation and rate setting.

**SANITARY DISTRICT OF DECATUR  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
APRIL 30, 2018 AND 2017**

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

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

**Methods and Assumptions Used to Determine 2016 Contribution Rates**

Actuarial Cost Method: Aggregate entry age normal  
Amortization Method: Level percentage of payroll, closed  
Remaining Amortization Period:  
Nontaxing bodies: 10-year rolling period.  
Taxing bodies (Regular, SLEP and ECO groups):  
27-year closed period *until remaining period reaches 15 years (then 15-year rolling period)*.  
Early Retirement Incentive Plan liabilities:  
*A period up to 10 years selected by the Employer upon adoption of ERI. SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 22 years for most employers (two employers were financed over 31 years).*

Asset Valuation Method: 5-year smoothed market; 20% corridor  
Wage Growth: 3.50%  
Price Inflation: 2.75%, approximate; No explicit price inflation assumption is used in this valuation.  
Salary Increases: 3.75% to 14.50%, including inflation  
Investment Rate of Return: 7.50%  
Retirement Age: Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013.  
Mortality: For nondisabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustments that were applied for nondisabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

**Other Information**

There were no benefit changes during the year.

\* Based on Valuation Assumptions used in the December 31, 2014, actuarial valuation; note two year lag between valuation and rate setting.



**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, 2018, 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 September 13, 2018.

**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 that we consider to be a material weakness (Finding 2018-001).



**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 result 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.



**CliftonLarsonAllen LLP**

Champaign, Illinois  
September 13, 2018

**SANITARY DISTRICT OF DECATUR  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED APRIL 30, 2018**

**FINDING NO. 2018-001      Annual Financial Reporting Under Generally Accepted Accounting Principles (GAAP)**

**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 U.S. generally accepted accounting principles (GAAP).

**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 related footnote disclosures are complete and presented in accordance with GAAP, including all adjustments required to convert the cash basis records to accrual basis.

**Context:** 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.

**Cause:** The District does not have the necessary staff to prepare the financial statements.

**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.

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

**CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement with Audit Findings**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding**

The District will continue to rely upon the audit firm to prepare the financial statements and related footnote disclosures and GAAP adjustments and will review and approve these prior to the issuance of the annual financial statements.

**Official Responsible for Ensuring CAP:**

The governing board is responsible for ensuring the corrective action of the deficiency.

**Planned Completion Date for CAP:**

The CAP is ongoing.

**Plan to Monitor Completion of CAP:**

The governing board will monitor this corrective action plan.