

**WHEATON SANITARY DISTRICT**  
**[Wheaton, Illinois]**

Audited Financial Statements  
And  
Supplementary Financial Information

For The Years Ended  
April 30, 2018 and 2017



## TABLE OF CONTENTS

---

	<u>PAGE</u>
Principal Officials	i
Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-12
<b><u>FINANCIAL STATEMENTS</u></b>	
Statements of Net Position	13-14
Statements of Revenues, Expenses and Changes in Net Position	15
Statements of Cash Flows	16
Notes to the Financial Statements	17-30
<b><u>REQUIRED SUPPLEMENTARY INFORMATION</u></b>	
Schedule of Changes in Net Pension Liability and Related Ratios – Last Ten Calendar Years	31
Schedule of Contributions – Last Ten Calendar Years	32-33
<b><u>SUPPLEMENTAL INFORMATION</u></b>	
Combining Schedule of Revenues, Expenses and Changes in Net Position	34
Schedule of Operating Expenses – User Charge Fund - Budget and Actual	35-39
Schedule of Capital Outlays - Budget and Actual	40

WHEATON SANITARY DISTRICT

PRINCIPAL OFFICIALS

April 30, 2018

LEGISLATIVE

BOARD OF TRUSTEES

Jeffrey R. Walker

Henry S. Stillwell III

William A. Kindorf III

ADMINISTRATIVE

Steve Maney, Executive Director

Sue Baert, Plant Superintendent

Diana Soltess, Administrative Services Director

# MATHIESON MOYSKI·AUSTIN & Co., LLP

(630) 653-1616  
FAX (630) 653-1735

MMAadvisors.com

Certified Public Accountants and Advisors  
211 South Wheaton Avenue • Suite 300  
Wheaton, Illinois 60187

## **Independent Auditors' Report**

To the Board of Trustees  
Wheaton Sanitary District  
Wheaton, IL 60189

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

We have audited the accompanying financial statements of the business-type activities of the Wheaton Sanitary District (the District), as of and for the years ended April 30, 2018 and 2017 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District'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.

### ***Opinions***

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

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 12, the Schedule of Changes in Net Pension Liability and Related Ratios of the Illinois Municipal Retirement Fund (IMRF) on page 31 and the Schedule of Contributions of the IMRF on pages 32 through 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Combining Schedule of Revenues, Expenses and Changes in Net Position, the Schedule of Operating Expenses – User Charge Fund – Budget and Actual, and the Schedule of Capital Outlays – Budget and Actual are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

*Matheson, Mozeki, Austin & Co. LLP*

Wheaton, Illinois  
August 1, 2018

**WHEATON SANITARY DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**APRIL 30, 2018 AND 2017**

Wheaton Sanitary District (the District) presents the following discussion and analysis of the District's financial performance during the fiscal years ended April 30, 2018 and 2017. Readers are encouraged to consider the Management Discussion and Analysis, the financial statements, and the notes to the financial statements, to enhance their understanding of the District's financial performance.

**FINANCIAL HIGHLIGHTS**

- The overall financial position of the District has increased by \$3,225 thousand.
- Total assets increased \$3,908 thousand, and liabilities decreased \$346 thousand.
- Total deferred outflows of resources decreased by \$117 thousand, and total deferred inflows of resources increased by \$912 thousand.
- Total operating revenue increased \$682 thousand or 7.4%
- Operating expenses increased \$311 thousand or 5.0%

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report includes this management's discussion and analysis, the report of the independent auditor and the basic financial statements of the District. The financial statements include notes that provide greater detail on some of the information in the financial statements.

**REQUIRED FINANCIAL STATEMENTS**

The District's financial statements report information using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Position includes the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). Deferred outflows (inflows) of resources provide information about the consumption (acquisition) of Net Position by the government that is applicable to a future reporting period. The Statement also provides the basis for evaluating the financial structure and assessing the liquidity and financial flexibility of the District.

Current year revenue and expenses 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 the past year and can be used to determine whether the District has successfully recovered all of its costs through its user fees and other charges, increased its reserves for future asset replacement, and its credit worthiness.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to questions such as where did cash come from, what was cash used for, and what was the change in the cash balance.



**WHEATON SANITARY DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 APRIL 30, 2018 AND 2017

**FINANCIAL ANALYSIS OF THE DISTRICT**

An important financial question for the District is “how did we do financially during the year?” The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District’s activities that will help answer that question. These two statements report the Net Position of the District and the changes in them. The net difference between the assets and deferred outflows of resources, and liabilities and deferred inflows of resources, is one way to measure the financial health of the District. Over time, increases or decreases of the District’s Net Position can be an indicator of whether its financial strength is improving or deteriorating. However, one needs to consider other non-financial factors such as changes in economic conditions, population growth, and new/changed government regulations.

**NET POSITION**

A summary of the District’s Statement of Net Position as of April 30, 2018 and 2017 is given in Table A-1.

**Table A-1**  
**Statement of Net Position**  
**April 30, 2018 and 2017**  
**(000’s)**

	<u>FY 2018</u>	<u>FY 2017</u>	<u>Dollar Change</u>	<u>Total Percent Change</u>
Current and Other Assets	\$7,153	\$5,156	\$1,997	38.7%
Capital Assets	<u>\$38,554</u>	<u>\$36,643</u>	<u>\$1,911</u>	5.2%
Total Assets	\$45,707	\$41,799	\$3,908	9.3%
Deferred Outflows of Resources	<u>\$310</u>	<u>\$427</u>	<u>(\$117)</u>	-27.4%
Total Assets & Deferred Outflows of Resources	<u>\$46,017</u>	<u>\$42,226</u>	<u>\$3,791</u>	9.0%
Long Term Debt Outstanding	\$13,352	\$13,885	(\$533)	-3.8%
Other Liabilities	<u>\$1,810</u>	<u>\$1,623</u>	<u>\$187</u>	11.5%
Total Liabilities	<u>\$15,162</u>	<u>\$15,508</u>	<u>(\$346)</u>	-2.2%
Deferred Inflows of Resources	<u>\$1,021</u>	<u>\$109</u>	<u>\$912</u>	836.7%
Invested in Capital Assets, Net of Related Debt	\$24,326	\$22,966	\$1,360	5.9%
Unrestricted	<u>\$5,508</u>	<u>\$3,643</u>	<u>\$1,865</u>	51.2%
Total Net Position	<u>\$29,834</u>	<u>\$26,609</u>	<u>\$3,225</u>	12.1%
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$46,017</u>	<u>\$42,226</u>	<u>\$3,791</u>	9.0%

**WHEATON SANITARY DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**APRIL 30, 2018 AND 2017**

A summary of the District's Statement of Net Position as of April 30, 2017 and 2016 is given in Table A-1.1.

**Table A-1.1**  
**Statement of Net Position**  
**April 30, 2017 and 2016**  
**(000's)**

	<u>FY 2017</u>	<u>FY 2016</u>	<u>Dollar Change</u>	<u>Total Percent Change</u>
Current and Other Assets	\$5,156	\$5,773	(\$617)	-10.7%
Capital Assets	<u>\$36,643</u>	<u>\$34,760</u>	<u>\$1,883</u>	5.4%
Total Assets	\$41,799	\$40,533	\$1,266	3.1%
Deferred Outflows of Resources	<u>\$427</u>	<u>\$449</u>	<u>(\$22)</u>	-4.9%
Total Assets & Deferred Outflows of Resources	<u>\$42,226</u>	<u>\$40,982</u>	<u>\$1,244</u>	3.0%
Long Term Debt Outstanding	\$13,885	\$14,828	(\$943)	-6.4%
Other Liabilities	<u>\$1,623</u>	<u>\$2,216</u>	<u>(\$593)</u>	-26.8%
Total Liabilities	<u>\$15,508</u>	<u>\$17,044</u>	<u>(\$1,536)</u>	-9.0%
Deferred Inflows of Resources	<u>\$109</u>	<u>\$250</u>	<u>(\$141)</u>	-56.4%
Invested in Capital Assets, Net of Related Debt	\$22,966	\$19,944	\$3,022	15.2%
Unrestricted	<u>\$3,643</u>	<u>\$3,744</u>	<u>(\$101)</u>	-2.7%
Total Net Position	<u>\$26,609</u>	<u>\$23,688</u>	<u>\$2,921</u>	12.3%
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$42,226</u>	<u>\$40,982</u>	<u>\$1,244</u>	3.0%

**WHEATON SANITARY DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 APRIL 30, 2018 AND 2017

A condensed summary of the Changes in Net Position for the years ended April 30, 2018 and 2017 is given in Table A-2.

**Table A-2**  
**Condensed Statement of Revenues, Expenses and**  
**Changes in Net Position**  
**For The Years Ended April 30, 2018 and 2017**  
**(000's)**

	<u>FY 2018</u>	<u>FY 2017</u>	<u>Dollar Change</u>	<u>Total Percent Change</u>
Operating Revenues	\$9,895	\$9,213	\$682	7.4%
Non-Operating Revenues	<u>\$46</u>	<u>\$52</u>	<u>(\$6)</u>	-11.5%
Total Revenues	<u>\$9,941</u>	<u>\$9,265</u>	<u>\$676</u>	7.3%
Operating Expense	\$6,534	\$6,223	\$311	5.0%
Non-Operating Expense	<u>\$182</u>	<u>\$121</u>	<u>\$61</u>	50.4%
Total Expenses	<u>\$6,716</u>	<u>\$6,344</u>	<u>\$372</u>	5.9%
Changes in Net Position	\$3,225	\$2,921	\$304	10.4%
Beginning Net Position	<u>\$26,609</u>	<u>\$23,688</u>	<u>\$2,921</u>	12.3%
Ending Net Position	<u><u>\$29,834</u></u>	<u><u>\$26,609</u></u>	<u><u>\$3,225</u></u>	12.1%

**WHEATON SANITARY DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 APRIL 30, 2018 AND 2017

A condensed summary of the Changes in Net Position for the years ended April 30, 2017 and 2016 is given in Table A-2.2.

**Table A-2.2**  
**Condensed Statement of Revenues, Expenses and**  
**Changes in Net Position**  
**For The Years Ended April 30, 2017 and 2016**  
**(000's)**

	<u>FY 2017</u>	<u>FY 2016</u>	<u>Dollar Change</u>	<u>Total Percent Change</u>
Operating Revenues	\$9,213	\$7,981	\$1,232	15.4%
Non-Operating Revenues	<u>\$52</u>	<u>\$10</u>	<u>\$42</u>	420.0%
Total Revenues	<u>\$9,265</u>	<u>\$7,991</u>	<u>\$1,274</u>	15.9%
Operating Expense	\$6,223	\$6,368	(\$145)	-2.3%
Non-Operating Expense	<u>\$121</u>	<u>\$96</u>	<u>\$25</u>	26.0%
Total Expenses	<u>\$6,344</u>	<u>\$6,464</u>	<u>(\$120)</u>	-1.9%
Changes in Net Position	\$2,921	\$1,527	\$1,394	91.3%
Beginning Net Position	<u>\$23,688</u>	<u>\$22,161</u>	<u>\$1,527</u>	6.9%
Ending Net Position	<u><u>\$26,609</u></u>	<u><u>\$23,688</u></u>	<u><u>\$2,921</u></u>	12.3%

**CAPITAL ASSETS**

A condensed summary of capital assets is given in Table A-3.

**Table A-3**  
**Condensed Summary of Capital Assets**  
**(000's)**

	<u>FY 2018</u>	<u>FY 2017</u>	<u>Dollar Change</u>	<u>Total Percent Change</u>
Land	\$174	\$174	N/A	N/A
Construction in Progress	\$6,882	\$4,165	\$2,717	65.2%
Land Improvements	\$1,922	\$1,922	N/A	N/A
Buildings	\$19,755	\$18,877	\$878	4.7%
Machinery and Equipment	\$12,768	\$13,189	(\$421)	-3.2%
Sewers and Extensions	\$27,534	\$27,534	N/A	N/A
Accumulated Depreciation	<u>(\$30,481)</u>	<u>(\$29,218)</u>	<u>(\$1,263)</u>	4.3%
Net Capital Assets	<u><u>\$38,554</u></u>	<u><u>\$36,643</u></u>	<u><u>\$1,911</u></u>	5.2%

**WHEATON SANITARY DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**APRIL 30, 2018 AND 2017**

Major construction in progress projects included the Tertiary Filtration Improvements, Intermediate Lift Station Improvements, the Northside Interceptor Route Study, and Fine Bar Screen Improvements.

See Note 4, Changes in Capital Assets, for additional information on the District's capital assets.

**DEBT ADMINISTRATION**

In June 2006, the District issued a \$5,000,000 debt certificate which was committed to capital improvement projects identified in a 2006 facilities plan. The effective interest rate on the debt certificate was 4.235%, and the term was 15 years. Principal on the certificate was due annually in December and interest payments were due in June and December. The loan was fully paid off in FY 2017.

In FY 2010, the District obtained a combination Water Pollution Control Loan Program (WPCLP) and American Recovery and Reinvestment (ARRA) loan totaling more than \$17 million. Approximately \$4.3 million was forgiven in fiscal year ending April 30, 2013. The remaining balance will be paid off over 20 years with interest at zero percent.

In FY 2015, the District obtained an IEPA Loan of \$4.7 million for upgrading the Intermediate Pump Station. In addition, a \$1 million grant was obtained from the Illinois Department of Economic Opportunity (DCEO), and \$250,000 was used to make an initial payment against the \$4.7 million Project. However, the grant is currently in suspended status, but the District is hopeful that the balance of the \$750,000 grant will be released to the District in the future.

In FY 2016, the District has received an IEPA loan of approximately \$1,000,000 for engineering and construction costs related to replacement of bar screens.

In FY 2017, the District applied for and anticipates receiving IEPA loans totaling up to a maximum of approximately \$65,000,000 for engineering and construction costs related to replacement tertiary filters, two new generators, ultraviolet disinfection, and replacement of the Northside Interceptor.

There are just a few remaining easements required for the Northside Interceptor Sewer Replacement Project, but no problems are anticipated with the acquisition of these easements. At the time of this writing, the project is estimated to go out to bid sometime in calendar year 2018, and the estimated construction cost for this project is \$35 million dollars.

The District continues to monitor and update its user charge rates with the assistance of Galardi-Rothstein Group to ensure that cash flow will be adequate to meet operating expenses and long term debt retirement. User charge rates are anticipated to increase at close to 10% for the next few years. After which, rates are expected to be increase at approximately 4%.

Although the District has taxing authority, a referendum would be required to levy taxes because the District did not levy taxes when tax caps went into effect.

**WHEATON SANITARY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
APRIL 30, 2018 AND 2017**

See Note 6, Long-Term Debt, for additional information on the District's debt.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The methodology for establishing user charge rates, the major source of revenue for the operating and capital funds, is established in the User Charge Ordinance adopted in 1976. This analysis is presented at a public hearing each year. After receiving comments from the public, the budget is reviewed by the Board of Trustees.

There is a significant amount of tax exempt property within the District's boundaries, and this is one of the primary reasons the District does not levy property taxes. In addition, the user charge system is deemed by the District to be a more equitable method of revenue generation by charging the cost of the services to those that use them the most.

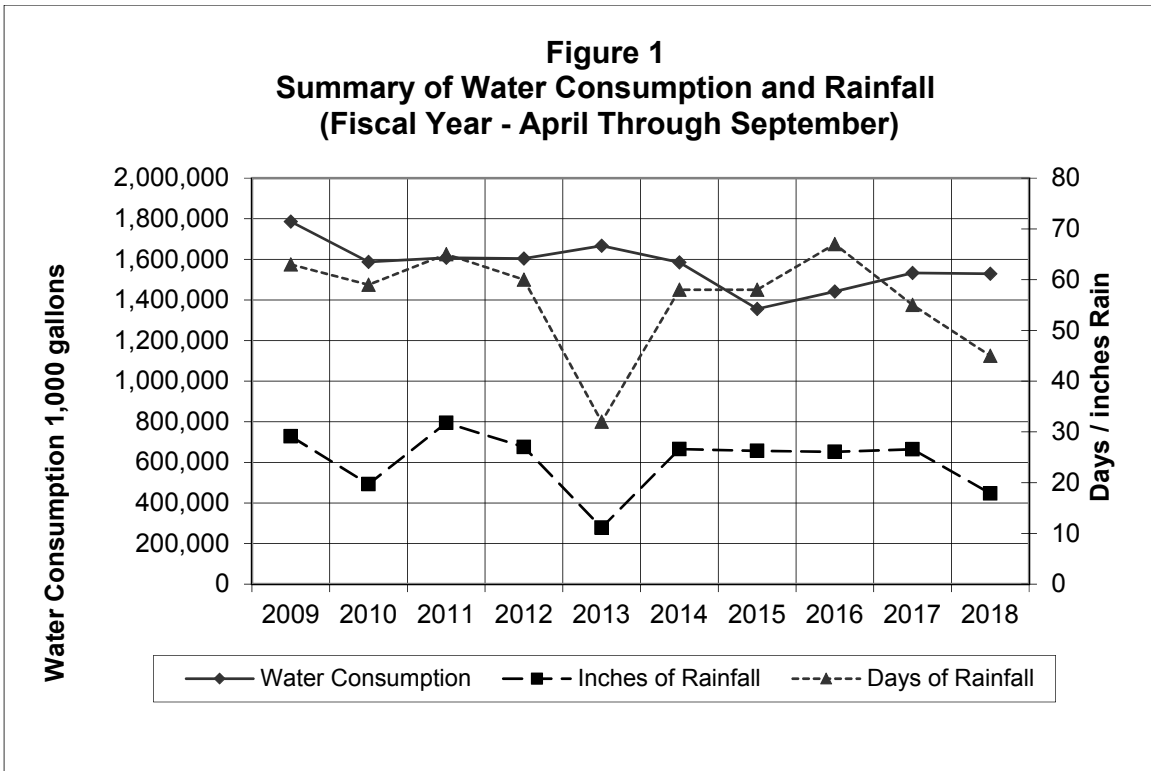
With reliance on user charges, projecting the amount of water to be used by its customers in the coming year becomes critical. Billed water use varies based on the amount of rainfall experienced.

The District budget for billable water use is based on historical trends. Annual water use varies depending on factors including temperature, occupancy, and precipitation. A summary of water consumption and precipitation over the last ten years is given in Table A-4. A graphic illustration of water consumption figures and precipitation over the last 10 fiscal years is provided in Figure 1.

**Table A-4  
Summary of Sewer Rates, Water Consumption, and Rainfall**

Fiscal Year	Budgeted Water Consumption (1,000 gal)	Actual Water Consumption (1,000 gal)	Water Usage/Budget (%)	April through September	
				Rainfall (inches)	Days of Rainfall
2009	1,942,400	1,786,060	92%	29.14	63
2010	1,890,000	1,587,074	84%	19.70	59
2011	1,836,452	1,607,780	88%	31.79	65
2012	1,750,000	1,603,874	92%	27.03	60
2013	1,650,000	1,667,028	101%	11.14	32
2014	1,700,000	1,585,385	93%	26.62	58
2015	1,700,000	1,356,014	80%	26.25	58
2016	1,700,000	1,441,864	85%	26.06	67
2017	1,700,000	1,532,722	90%	26.57	55
2018	1,700,000	1,529,382	90%	17.89	45

**WHEATON SANITARY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
APRIL 30, 2018 AND 2017**



Based on Illinois Environmental Protection Agency criteria, a typical user consumes 6,000 gallons (800 cubic feet) of water per month. In FY 2018, the cost of collection and sewage treatment for a typical user in the District was \$39.73 per month, approximately \$477 annually.

Sanitary sewer service continues to be an affordable service with annual costs equivalent to or less than the cost of other essential services such as telephone, cable television, and garbage pickup. A recent survey conducted by the National Association of Clean Water Agencies (NACWA) indicated the average annual charge paid for sewer service in calendar year 2017 was \$492.

The United States Environmental Protection Agency suggests that an affordable charge for sanitary sewer service is one percent (1%) of the median family income of the community. Based on the 2010 census data for the City of Wheaton, the median family income is \$73,385, suggesting that the cost of sanitary sewer service would be affordable at a cost of \$733 per year, or \$61 per month.

The District has an extensive capital improvements program including replacement of the Northside Interceptor Sewer, which will be phased over three to four years. Rehabilitation of the sanitary sewer collection system is anticipated each year. Plant improvements are generally driven by changing EPA regulations, and the District is monitoring potential regulations on biological nutrient removal (i.e. phosphorous), wet weather treatment, and ammonia levels. The District's strategic financial plan incorporates the capital costs for these projects as well.

**WHEATON SANITARY DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**APRIL 30, 2018 AND 2017**

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide District customers and creditors with a general overview of the District's finances and to demonstrate accountability for the funds it receives. If you have questions about this report or need additional information about the District, please contact the District's Executive Director at P.O. Box 626, Wheaton, IL 60187-0626.



**THIS PAGE INTENTIONALLY LEFT BLANK**

**WHEATON SANITARY DISTRICT**  
**STATEMENTS OF NET POSITION**  
**APRIL 30, 2018 AND 2017**

	2018	2017
<b>Current assets:</b>		
Cash and cash equivalents	\$ 5,661,184	\$ 3,686,027
Receivables		
User charges (net of allowance for uncollectibles of \$25,000)	1,423,428	1,394,803
Special assessments	25,885	29,429
Due from other governmental units	6,880	5,906
Prepaid items	21,750	20,715
Inventory - water meters	-	4,881
	<u>7,139,127</u>	<u>5,141,761</u>
<b>Non-current assets:</b>		
Other assets:		
Special assessments	13,045	13,045
Drum/cylinder deposits	675	675
Total other assets	<u>13,720</u>	<u>13,720</u>
Capital assets:		
Non-depreciable:		
Land	173,777	173,777
Construction in progress	6,882,349	4,165,120
Total non-depreciable capital assets	<u>7,056,126</u>	<u>4,338,897</u>
Depreciable:		
Water treatment facilities and equipment	34,444,593	33,988,632
Sewers and extensions	27,534,006	27,534,006
	<u>61,978,599</u>	<u>61,522,638</u>
Accumulated depreciation	(30,481,093)	(29,218,286)
Total depreciable capital assets	<u>31,497,506</u>	<u>32,304,352</u>
Total capital assets, net	<u>38,553,632</u>	<u>36,643,249</u>
	<u>38,567,352</u>	<u>36,656,969</u>
<b>Total assets</b>	<u>45,706,479</u>	<u>41,798,730</u>
<b>Deferred outflows of resources:</b>		
Pension contributions	<u>310,492</u>	<u>427,424</u>
<b>Total assets and deferred outflows of resources</b>	<u>\$ 46,016,971</u>	<u>\$ 42,226,154</u>

See Accompanying Notes to the Financial Statements

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

	<u>2018</u>	<u>2017</u>
<b>Current liabilities:</b>		
Accounts payable	\$ 884,498	\$ 776,484
Accrued payroll	91,605	63,712
Current maturities of long-term debt	833,717	777,151
Due to other governmental units	-	5,885
	<u>1,809,820</u>	<u>1,623,232</u>
<b>Non-current liabilities:</b>		
Long-term debt, net of current maturities	13,271,220	13,819,881
Deferred revenue - special assessments	13,045	13,045
Compensated absences payable	67,777	51,556
	<u>13,352,042</u>	<u>13,884,482</u>
<b>Total liabilities</b>	<u>15,161,862</u>	<u>15,507,714</u>
<b>Deferred inflows of resources:</b>		
Pension - Illinois Municipal Retirement Fund	<u>1,020,874</u>	<u>109,086</u>
<b>Net position:</b>		
Net investment in capital assets	24,326,151	22,966,465
Unrestricted	<u>5,508,084</u>	<u>3,642,889</u>
<b>Total net position</b>	<u>29,834,235</u>	<u>26,609,354</u>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<u>\$ 46,016,971</u>	<u>\$ 42,226,154</u>

See Accompanying Notes to the Financial Statements

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

	2018	2017
<b>Operating revenues:</b>		
Charges for services		
User charges - sewer billings	\$ 4,433,747	\$ 4,227,546
User charges - sewer maintenance	273,354	244,046
User charges - capital improvement	899,978	660,387
Sale of plant effluent	14,151	9,905
User charge penalties	87,418	22,960
Septage, leachate and sludge charges	361,180	381,653
Interceptor charges	193,985	163,449
Billing charges	1,875,048	1,691,336
Debt certificate charges	1,614,138	1,286,995
Permit fees	90,165	148,075
Water meter maintenance	6,991	6,621
Special assessments	-	21,352
Grant revenues	-	250,000
Other revenues	44,756	98,395
	<u>9,894,911</u>	<u>9,212,720</u>
<b>Operating expenses:</b>		
Administrative	1,749,615	1,168,852
Laboratory	337,348	357,703
Plant operations	1,295,124	1,328,427
Plant maintenance	814,057	1,328,609
Sewer operations and maintenance	688,995	471,574
Trustees	18,972	78,708
Depreciation	1,630,139	1,488,783
	<u>6,534,250</u>	<u>6,222,656</u>
<b>Operating income</b>	<u>3,360,661</u>	<u>2,990,064</u>
<b>Non-operating revenues (expenses):</b>		
Property and replacement tax	32,141	38,447
Interest income	14,459	13,476
Interest expense	(97,227)	(118,498)
Loss on disposal of capital assets	(85,153)	(2,237)
	<u>(135,780)</u>	<u>(68,812)</u>
<b>Net non-operating revenues (expenses)</b>	<u>(135,780)</u>	<u>(68,812)</u>
Change in net position	3,224,881	2,921,252
Net position - beginning of year	26,609,354	23,688,102
<b>Net position - end of year</b>	<u>\$ 29,834,235</u>	<u>\$ 26,609,354</u>

See Accompanying Notes to the Financial Statements

**WHEATON SANITARY DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED APRIL 30, 2018 AND 2017**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 9,869,830	\$ 8,638,325
Paid to suppliers and employees	(3,726,276)	(4,943,796)
Net cash flows from operating activities	<u>6,143,554</u>	<u>3,694,529</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income received	<u>14,459</u>	<u>13,476</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Collection of special assessments	-	21,352
Collection of property and replacement tax	32,141	38,447
Construction loan draws	2,386,095	1,688,661
Debt retired	(2,878,190)	(2,796,972)
Interest paid	(97,227)	(154,053)
Acquisition and construction of fixed assets	(3,625,675)	(3,374,018)
Net cash flows from capital and related financing activities	<u>(4,182,856)</u>	<u>(4,576,583)</u>
Net change in cash and cash equivalents	1,975,157	(868,578)
Cash and cash equivalents - beginning of year	<u>3,686,027</u>	<u>4,554,605</u>
Cash and cash equivalents - end of year	<u>\$ 5,661,184</u>	<u>\$ 3,686,027</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income	\$ 3,360,661	\$ 2,990,064
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation	1,630,139	1,488,783
Special assessment revenue	3,544	(19,787)
Changes in assets and liabilities:		
Receivables - user charges	(28,625)	(304,608)
Prepaid items	(1,035)	24,145
Inventory - water meters	4,881	-
Accounts payable	108,014	(218,255)
Due to other governmental units	(6,859)	5,710
Grants received in advance	-	(250,000)
Accrued payroll	27,893	6,645
Compensated absences	16,221	(27,062)
Pension contributions	1,028,720	(1,106)
Net cash flows from operating activities	<u>\$ 6,143,554</u>	<u>\$ 3,694,529</u>

See Accompanying Notes to the Financial Statements

WHEATON SANITARY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
APRIL 30, 2018 AND 2017

---

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Wheaton Sanitary District (District) is governed by an elected Board of Trustees. The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. A summary of the significant accounting policies, consistently applied in the preparation of the accompanying financial statements is described below.

**a. The Reporting Entity**

The District includes all operations that are controlled by or dependent upon the District as determined on a basis of financial accountability. Financial accountability includes appointment of the organization's governing body, imposition of will, and fiscal dependency. The accompanying financial statements include only operations of the District as there are no other organizations for which it has financial accountability.

**b. Basis of Presentation, Measurement Focus and Basis of Accounting**

The District's basic financial statements are presented on the full accrual basis of accounting and conform to accounting principles generally accepted in the United States of America.

The term measurement focus is used to denote what is being measured and reported in the District's operating statement. The District's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The fundamental objective of this focus is to measure whether the District is better or worse off economically as a result of events and transactions of the period.

The term basis of accounting is used to determine when a transaction or event is recognized on the District's operating statement. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

**c. Net Position**

Net position comprises the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. Net position is classified in the following three components:

WHEATON SANITARY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
APRIL 30, 2018 AND 2017

---

- *Net investment in capital assets* – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- *Restricted* – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted net position* – This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the District’s policy is to apply restricted net position first.

**d. Cash and Cash Equivalents**

Cash and cash equivalents are combined on the statement of net position. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. For purposes of the statement of cash flows, all cash deposits and highly liquid investments with an original maturity of three months or less when acquired are considered to be cash equivalents.

**e. Capital Assets**

Capital assets, which include land, buildings and improvements, sewers and extensions, and furniture and equipment, are reported in the financial statements. The District defines capital assets as assets with an original individual cost greater than \$2,500 and with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value on the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of an asset are charged to operations as incurred.

WHEATON SANITARY DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
 APRIL 30, 2018 AND 2017

---

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and building improvements	10-40 years
Land improvements	10-20 years
Furniture, machinery and equipment	3-20 years
Sewers and extensions	50 years

**f. Long-term Obligations**

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

**g. Compensated Absences**

Accumulated unpaid vacation amounts are accrued when benefits vest to employees and the unpaid liability is reflected as compensated absences payable.

**h. Deferred outflows/inflows of resources**

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

**i. Revenue and Expenses**

Revenues and expenses are distinguished between operating and non-operating items. Operating revenues generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues of the District are fees and capital revenue for wastewater treatment services.

Operating expenses include the costs associated with the conveyance and treatment of wastewater, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.



WHEATON SANITARY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
APRIL 30, 2018 AND 2017

---

**j. Operating Revenues**

District billings are rendered and recorded monthly based on calendar month metered flows.

**k. Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**l. Reclassifications**

Certain amounts presented in prior year data have been reclassified in order to be consistent with the current year's presentation.

**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Economic Interest Statements**

All board members and administrative personnel of the District who are required to file Economic Interest Statements have done so, as required by Chapter 20 of the Illinois Compiled Statutes.

**NOTE 3. CASH AND CASH EQUIVALENTS**

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of April 30, 2018 and 2017, none of the District's bank balances of \$5,716,790 and \$3,869,251 were exposed to custodial credit risk.

WHEATON SANITARY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
APRIL 30, 2018 AND 2017

**NOTE 4. CHANGES IN CAPITAL ASSETS**

	Balance April 30, 2017	Additions	Deletions	Balance April 30, 2018
Capital assets, not being depreciated:				
Land	\$ 173,777	\$ -	\$ -	\$ 173,777
Construction in progress	<u>4,165,120</u>	<u>3,594,989</u>	<u>(877,760)</u>	<u>6,882,349</u>
Total capital assets, not being depreciated	<u>4,338,897</u>	<u>3,594,989</u>	<u>(877,760)</u>	<u>7,056,126</u>
Capital assets, being depreciated:				
Water Treatment Facilities:				
Land Improvements	1,921,786	-	-	1,921,786
Buildings	18,877,235	877,760	-	19,754,995
Machinery and equipment	13,189,611	30,686	(452,485)	12,767,812
Sewers and extensions	<u>27,534,006</u>	<u>-</u>	<u>-</u>	<u>27,534,006</u>
Total capital assets, being depreciated	61,522,638	908,446	(452,485)	61,978,599
Less: Accumulated Depreciation	<u>(29,218,286)</u>	<u>(1,630,139)</u>	<u>367,332</u>	<u>(30,481,093)</u>
Total capital assets, being depreciated, net	<u>32,304,352</u>	<u>(721,693)</u>	<u>(85,153)</u>	<u>31,497,506</u>
Total capital assets, net	<u>\$ 36,643,249</u>	<u>\$ 2,873,296</u>	<u>\$ (962,913)</u>	<u>\$ 38,553,632</u>

**NOTE 5. RETIREMENT FUND COMMITMENTS**

**Illinois Municipal Retirement Fund**

*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.

WHEATON SANITARY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
APRIL 30, 2018 AND 2017

---

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).

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

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

WHEATON SANITARY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
APRIL 30, 2018 AND 2017

---

*Employees Covered by Benefit Terms:* At December 31, 2017, the number of District employees covered by IMRF were:

Active members	24
Retirees and beneficiaries	18
Inactive, non-retired members	<u>13</u>
Total	<u>55</u>

*Contributions:* As set by statute, the District's regular plan members are required to contribute 4.5% of their annual covered salary. The statute requires the District to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for 2017 was 10.53% of annual covered payroll. For the fiscal year ended April 30, 2018, the District contributed \$172,972 to the plan. 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 the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

*Net Pension Liability:* The District's net pension liability was measured as of December 31, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

WHEATON SANITARY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
APRIL 30, 2018 AND 2017

*Actuarial Assumptions:* The following are the methods and assumptions used to determine the Total Pension Liability at December 31, 2017:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Inflation	2.50%
Salary Increases	3.39% to 14.25%
Investment Rate of Return	7.50%
Projected Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2017 valuation pursuant to an experience study of the period 2014-2016.
Mortality	For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
Disabled Retirees	For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives.
Active Members	For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
Other Information:	There were no benefit changes during the year.

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.

WHEATON SANITARY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
APRIL 30, 2018 AND 2017

---

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Return 12/31/17</u>	<u>Projected Returns/Risk</u>	
			<u>One Year Arithmetic</u>	<u>Ten Year Geometric</u>
Equities	37.0%	19.60%	8.30%	6.85%
International equities	18.0	27.53	8.45	6.75
Fixed income	28.0	4.67	3.05	3.00
Real estate	9.0	9.10	6.90	5.75
Alternative investments	7.0	N/A	4.25-12.45	2.65-7.35
Cash equivalents	1.0	N/A	2.25	2.25

*Single Discount Rate:* A Single Discount Rate of 7.50% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects: (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and (2) the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.31%; and the resulting single discount rate is 7.50%.

WHEATON SANITARY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
APRIL 30, 2018 AND 2017

*Changes in the District's Net Pension Liability:* Changes in the District's Net Pension Liability for the year ended December 31, 2017 were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) – (b)
Balance, December 31, 2016	<u>\$ 9,495,625</u>	<u>\$ 8,606,253</u>	<u>\$ 889,372</u>
Charges for the year:			
Service cost	140,924	-	140,924
Interest	701,114	-	701,114
Difference between expected and actual experience	(19,962)	-	(19,962)
Changes in assumptions	(284,925)	-	(284,925)
Net investment income	-	1,524,507	(1,524,507)
Contributions – employees	-	71,024	(71,024)
Contributions – employers	-	166,102	(166,102)
Benefit payments including refunds of employee contributions	(435,793)	(435,793)	-
Administrative expenses	-	-	-
Other changes	-	(178,545)	178,545
Net changes	<u>101,358</u>	<u>1,147,295</u>	<u>(1,045,937)</u>
Balance, December 31, 2017	<u>\$ 9,596,983</u>	<u>\$ 9,753,548</u>	<u>\$ (156,565)</u>

*Sensitivity of the Net Pension Liability to Changes in the Single Discount Rate:* The following presents the Net Pension Liability calculated using the single discount rate of 7.50%, as well as what the Net Pension Liability would be if it were calculated using a single discount rate that is 1% higher and lower:

	Discount Rate	Net Pension Liability (Asset)
1% decrease	6.50%	\$ 860,380
Current discount rate	7.50	(156,565)
1% increase	8.50	(1,007,723)

WHEATON SANITARY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
APRIL 30, 2018 AND 2017

*Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:* For the year ended April 30, 2018, the District recognized pension expense of \$155,755. At April 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>	Net Deferred Outflows / (Inflows) of <u>Resources</u>
Differences between expected and actual experience	\$ -	\$ 83,807	\$ (83,807)
Changes of assumptions	-	222,521	(222,521)
Net difference between projected and actual earnings on Plan investments	256,357	714,546	(458,189)
Employer contributions to plan after measurement date	<u>54,135</u>	<u>-</u>	<u>54,135</u>
Total	<u>\$ 310,492</u>	<u>\$ 1,020,874</u>	<u>\$ (710,382)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year ending December 31,</u>	<u>Net Deferred Outflows (Inflows)</u>
2018	\$ (162,480)
2019	(154,410)
2020	(255,685)
2021	<u>(191,942)</u>
Total	<u>\$ (764,517)</u>

**NOTE 6. LONG-TERM DEBT**

The following is summary of long-term debt and related transactions for the year ended April 30, 2018:

	Balance May 1, 2017	Additions	Reductions	Balance April 30, 2018	Due within one year
IEPA Loan #1	\$ 9,045,318	\$ -	\$ (623,815)	\$ 8,421,503	\$ 623,815
IEPA Loan #2	4,186,557	86,399	(173,867)	4,099,089	181,558
IEPA Loan #3	475,785	210,441	(13,988)	672,238	28,344
IEPA Loan #4	-	1,068,672	-	1,068,672	-
Net Pension Liability (Asset)	889,372	1,020,583	(2,066,520)	(156,565)	-
Total	<u>\$ 14,597,032</u>	<u>\$ 2,386,095</u>	<u>\$ (2,878,190)</u>	<u>\$ 14,104,937</u>	<u>\$ 833,717</u>



WHEATON SANITARY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
APRIL 30, 2018 AND 2017

---

**Loans Payable to the Illinois Environmental Protection Agency (IEPA)**

The District has entered into loan agreements with the IEPA for the South Side Interceptor construction project. The project was completed during the year ended April 30, 2016 and the total amount financed was \$12,305,250. Terms of this loan have been set with repayments due in equal semi-annual installments of principal of \$311,908. Interest does not accrue on this loan.

The District has entered into a loan agreement with IEPA for the Intermediate Pump Station construction project. The project was completed during the year ended April 30, 2017 and the total amount financed was \$4,351,115, including capitalized interest of \$56,707. Terms of this loan have been set with interest at 2.21% and semi-annual principal and interest payments of \$135,575.

The District has entered into a loan agreement with IEPA for the Fine Bar Screen construction project. The project was completed during the year ended April 30, 2018 and the total financed amount was \$686,226, including capitalized interest of \$2,445. Terms for this loan have been set with interest at 1.75% and semi-annual principal and interest payments of \$19,648.

The District has entered into a loan agreement with IEPA for the Tertiary Filtration Improvements construction project. The project is expected to be completed during the year ended April 30, 2019 and the total estimated amount to be financed is approximately \$6,400,000. Terms for this loan are in preliminary stages. Loan payments will begin when the project is substantially complete. Interest has not begun to accrue on this loan. Total proceeds received during the year ended April 30, 2018 was \$1,068,672.

**General Obligation Debt Certificates**

General obligation debt certificates dated May 15, 2006 were issued by the District in the amount of \$5,000,000. Principal payments are due December 1 and interest payments at rates varying from 4.00% to 4.75% are due December 1 and June 1, through the fiscal year ending April 30, 2021. The Debt Certificates were paid off during the year ended April 30, 2017.

WHEATON SANITARY DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
 APRIL 30, 2018 AND 2017

The annual debt service requirements for the District as of April 30, 2018, are as follows:

Year Ended April 30	IEPA Loan (1) Principal	IEPA Loan (2) Principal	IEPA Loan (3) Principal	Total debt service
2019	\$ 623,815	\$ 181,558	\$ 28,344	\$ 833,717
2020	623,815	185,594	28,842	838,251
2021	623,815	189,717	29,349	842,881
2022	623,815	193,933	29,864	847,612
2023	623,815	198,243	30,390	852,448
2024 – 2028	3,119,075	1,059,283	160,151	4,338,509
2029 – 2033	2,183,353	1,182,330	174,730	3,540,413
2033 – 2037	-	908,431	190,568	1,098,999
Total	<u>\$ 8,421,503</u>	<u>\$ 4,099,089</u>	<u>\$ 672,238</u>	<u>\$ 13,192,830</u>

The above schedule does not include the loan for Tertiary Filtration Improvements (IEPA Loan #4), as repayment terms have not been established.

**NOTE 7. SIGNIFICANT CONTINGENCIES**

**Contingent Liabilities**

The District has received funds under various Federal and state grants and loans which were used to construct and modernize the District's sewers and treatment facilities. The funds were received under cost-reimbursement type contracts and are subject to audit by the grantors.

**NOTE 8. COMMITMENTS**

The District has entered into contractual commitments for building improvements with a remaining commitment of approximately \$5,715,000 as of April 30, 2018. The District intends to fund these commitments from cash on hand and IEPA loans.

WHEATON SANITARY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
APRIL 30, 2018 AND 2017

---

**NOTE 9. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; life and health of employees; and natural disasters. The District purchases commercial insurance for property damage with coverage up to a maximum of \$10 million, subject to various policy sublimits generally ranging from \$5,000 to \$3 million. The District also purchases commercial insurance for general liability claims with coverage up to \$1 million per occurrence and \$3 million aggregate, all subject to various deductibles up to \$5,000 per occurrence.

The District purchases commercial insurance for workers compensation benefits with a \$500,000 per occurrence and per employee policy limit. For the last three years, settled claims have not exceeded commercial insurance coverage, nor has there been any reduction in insurance coverage.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**WHEATON SANITARY DISTRICT**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**LAST TEN CALENDAR YEARS**  
**(SCHEDULE TO BE BUILT PROSPECTIVELY FROM 2014)**  
**APRIL 30, 2018**

Calendar year ending December 31,	2017	2016	2015	2014
<u>Total pension liability:</u>				
Service cost	\$ 140,924	\$ 159,014	\$ 159,043	\$ 168,011
Interest on the total pension liability	701,114	676,687	654,192	601,314
Difference between expected and actual experience	(19,962)	(67,892)	(84,690)	11,587
Assumption changes	(284,925)	(9,806)	-	337,239
Benefit payments and refunds	(435,793)	(434,811)	(421,605)	(372,344)
Net change in total pension liability	101,358	323,192	306,940	745,807
Total pension liability, beginning	9,495,625	9,172,433	8,865,493	8,119,686
Total pension liability, ending	<u>\$ 9,596,983</u>	<u>\$ 9,495,625</u>	<u>\$ 9,172,433</u>	<u>\$ 8,865,493</u>
<u>Plan fiduciary net position</u>				
Employer contributions	\$ 166,102	\$ 170,381	\$ 175,606	\$ 175,651
Employee contributions	71,024	64,976	66,350	66,312
Pension plan net investment income	1,524,507	563,525	41,191	478,568
Benefit payments and refunds	(435,793)	(434,811)	(421,605)	(372,344)
Other	(178,545)	90,616	(38,036)	69,305
Net change in plan fiduciary net position	1,147,295	454,687	(176,494)	417,492
Plan fiduciary net position, beginning	8,606,253	8,151,566	8,328,060	7,910,568
Plan fiduciary net position, ending	<u>\$ 9,753,548</u>	<u>\$ 8,606,253</u>	<u>\$ 8,151,566</u>	<u>\$ 8,328,060</u>
Net pension liability/(asset), ending	<u>\$ (156,565)</u>	<u>\$ 889,372</u>	<u>\$ 1,020,867</u>	<u>\$ 537,433</u>
Plan fiduciary net position as a percentage of total pension liability	<u>101.63</u>	<u>90.63</u>	<u>88.87</u>	<u>93.94</u>
Covered valuation payroll	<u>\$ 1,577,419</u>	<u>\$ 1,443,914</u>	<u>\$ 1,474,434</u>	<u>\$ 1,446,978</u>
Net pension liability as a percentage of covered valuation payroll	<u>(9.93)</u>	<u>61.59</u>	<u>69.24</u>	<u>37.14</u>

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

**WHEATON SANITARY DISTRICT**  
**SCHEDULE OF CONTRIBUTIONS - LAST TEN CALENDAR YEARS**  
**(SCHEDULE TO BE BUILT PROSPECTIVELY FROM 2014)**  
**APRIL 30, 2018**

Calendar Year Ending December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency/ (Excess)	Covered Valuation Payroll	Actual Contribution as a % of Covered Valuation Payroll
2017	\$166,102	\$166,102	\$ 0	\$1,577,419	10.53%
2016	170,382	170,381	1	1,443,914	11.80
2015	175,605	175,606	(1)	1,474,434	11.91
2014	172,480	175,651	(3,171)	1,446,978	12.14

The following describes the summary of actuarial methods and assumptions used in the calculation of the 2017 contribution rate:

Actuarial Cost Method	Aggregate Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	Non-Taxing bodies: 10-year rolling period. Taxing bodies: 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 districts (two districts 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 non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, 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 adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012).

**WHEATON SANITARY DISTRICT**  
**SCHEDULE OF CONTRIBUTIONS - LAST TEN CALENDAR YEARS (CONT.)**  
**(SCHEDULE TO BE BUILT PROSPECTIVELY FROM 2014)**  
**APRIL 30, 2018**

---

	The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
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.
Other Information	There were no benefit changes during the year.

\*Based on Valuation Assumptions used in the December 31, 2015, actuarial valuation.

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

## **SUPPLEMENTAL INFORMATION**



**WHEATON SANITARY DISTRICT**  
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 FOR THE YEAR ENDED APRIL 30, 2018

	User Charge	Capital Improvements	Capital Assets	Debt Service	Totals
<b>Operating revenues:</b>					
Charges for services					
User charges - sewer billings	\$ 4,433,747	\$ -	\$ -	\$ -	\$ 4,433,747
User charges - sewer maintenance	273,354	-	-	-	273,354
User charges - capital improvement	(1,590)	901,568	-	-	899,978
Sale of plant effluent	14,151	-	-	-	14,151
User charge penalties	87,418	-	-	-	87,418
Septage, leachate and sludge charges	241,991	119,189	-	-	361,180
Interceptor charges	193,985	-	-	-	193,985
Billing charges	1,875,048	-	-	-	1,875,048
Debt certificate charges	(2,928)	-	-	1,617,066	1,614,138
Permit fees	-	90,165	-	-	90,165
Water meter maintenance	6,991	-	-	-	6,991
Other revenues	44,756	-	-	-	44,756
	<u>7,166,923</u>	<u>1,110,922</u>	<u>-</u>	<u>1,617,066</u>	<u>9,894,911</u>
<b>Operating expenses:</b>					
Administrative	1,749,615	-	-	-	1,749,615
Laboratory	337,348	-	-	-	337,348
Plant operations	1,295,124	-	-	-	1,295,124
Plant maintenance	727,781	86,276	-	-	814,057
Sewer operations and maintenance	682,062	6,933	-	-	688,995
Trustees	18,972	-	-	-	18,972
Depreciation	-	-	1,630,139	-	1,630,139
	<u>4,810,902</u>	<u>93,209</u>	<u>1,630,139</u>	<u>-</u>	<u>6,534,250</u>
Operating income	<u>2,356,021</u>	<u>1,017,713</u>	<u>(1,630,139)</u>	<u>1,617,066</u>	<u>3,360,661</u>
<b>Non-operating revenues (expenses):</b>					
Property and replacement tax	-	32,141	-	-	32,141
Interest income	8,763	1,614	-	4,082	14,459
Interest expense	-	-	-	(97,227)	(97,227)
Operating transfers	(3,162,979)	3,184,902	-	(21,923)	-
Capitalized items	(37,130)	(3,588,545)	3,625,675	-	-
Loss on disposal	-	-	(85,153)	-	(85,153)
	<u>(3,191,346)</u>	<u>(369,888)</u>	<u>3,540,522</u>	<u>(115,068)</u>	<u>(135,780)</u>
Net non-operating revenues (expenses)	<u>(3,191,346)</u>	<u>(369,888)</u>	<u>3,540,522</u>	<u>(115,068)</u>	<u>(135,780)</u>
Change in net position	<u>\$ (835,325)</u>	<u>\$ 647,825</u>	<u>\$ 1,910,383</u>	<u>\$ 1,501,998</u>	<u>\$ 3,224,881</u>

**WHEATON SANITARY DISTRICT**  
**USER CHARGE FUND**  
**SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED APRIL 30, 2018**

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Administrative:</b>			
Salaries	\$ 440,608	\$ 489,251	\$ (48,643)
Illinois Municipal Retirement Fund	156,860	49,107	107,753
F.I.C.A.	41,593	32,607	8,986
Unemployment compensation	778	1,615	(837)
Workmen's compensation insurance	490	32,760	(32,270)
Group insurance	550,000	470,368	79,632
Multi-peril insurance	56,000	53,526	2,474
Surety bonds	5,300	12,000	(6,700)
Liability insurance	13,500	11,382	2,118
Natural gas and fuel oil	-	1,104	(1,104)
Telephone	15,840	13,968	1,872
Stationery and supplies	3,250	4,760	(1,510)
Postage	76,000	72,092	3,908
Dues and subscriptions	119,170	109,692	9,478
Permit fees	33,000	32,500	500
Travel, training and meetings	4,150	10,294	(6,144)
Data processing	166,433	90,697	75,736
User charge billing	142,900	127,775	15,125
Car allowance	6,000	6,000	-
Vehicle insurance	8,000	2,710	5,290
Safety equipment and supplies	200	158	42
Contract maintenance service	5,000	847	4,153
Miscellaneous employee expense	7,650	8,498	(848)
Legal expense	99,600	76,316	23,284
Internal audit	15,000	9,688	5,312
Annual audit	28,000	28,300	(300)
Engineering services	10,000	-	10,000
Legal publications	4,500	1,600	2,900
	<u>\$ 2,009,822</u>	<u>\$ 1,749,615</u>	<u>\$ 260,207</u>
Total administrative			

(continued)

**WHEATON SANITARY DISTRICT**  
**USER CHARGE FUND**  
**SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED APRIL 30, 2018**

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Laboratory:</b>			
Salaries	\$ 216,754	\$ 221,350	\$ (4,596)
Illinois Municipal Retirement Fund	78,430	22,591	55,839
F.I.C.A.	16,582	15,986	596
Unemployment compensation	389	1,328	(939)
Workmen's compensation insurance	3,840	-	3,840
Natural gas and fuel oil	-	1,104	(1,104)
Stationery and supplies	1,500	955	545
Dues and subscriptions	970	256	714
Travel, training and meetings	8,500	2,101	6,399
Data processing	2,000	-	2,000
Vehicle gas and oil	-	57	(57)
Small tools and supplies	21,000	16,704	4,296
Personnel clothing and equipment	2,979	2,252	727
Safety equipment and supplies	2,750	2,633	117
Contract maintenance service	6,170	180	5,990
Outside laboratory services	38,128	27,370	10,758
Laboratory chemicals and supplies	26,580	22,481	4,099
Maintenance supplies and materials	3,460	-	3,460
	<u>\$ 430,032</u>	<u>\$ 337,348</u>	<u>\$ 92,684</u>
Total laboratory	<u>\$ 430,032</u>	<u>\$ 337,348</u>	<u>\$ 92,684</u>

(continued)

**WHEATON SANITARY DISTRICT**  
**USER CHARGE FUND**  
**SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED APRIL 30, 2018**

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Plant operations:</b>			
Salaries	\$ 495,347	\$ 570,014	\$ (74,667)
Illinois Municipal Retirement Fund	172,830	53,277	119,553
F.I.C.A.	37,894	42,018	(4,124)
Unemployment compensation	1,685	2,968	(1,283)
Workmen's compensation insurance	19,200	-	19,200
Electrical power	327,000	314,205	12,795
Irrigation water pumping	11,000	6,518	4,482
Natural gas and fuel oil	24,000	11,584	12,416
Telephone	4,900	3,908	992
Stationery and supplies	225	395	(170)
Dues and subscriptions	650	281	369
Travel, training and meetings	11,700	8,966	2,734
Data processing	110,060	26,862	83,198
Vehicle gas and oil	6,160	413	5,747
Diesel fuel	10,990	4,169	6,821
Small tools and supplies	6,800	3,438	3,362
Personnel clothing and equipment	6,890	4,315	2,575
Safety equipment and supplies	17,250	20,890	(3,640)
Chlorine	25,119	15,989	9,130
Sulfur dioxide	8,576	10,413	(1,837)
Other process materials	58,400	31,756	26,644
Sludge disposal service	102,480	88,627	13,853
Scavenger service	18,288	13,028	5,260
Contract maintenance services	26,800	14,893	11,907
Maintenance materials	8,000	4,234	3,766
Water and sewer	15,030	15,867	(837)
Grounds maintenance supplies	48,000	26,096	21,904
Total plant operations	<u>\$ 1,575,274</u>	<u>\$ 1,295,124</u>	<u>\$ 280,150</u>

(continued)

**WHEATON SANITARY DISTRICT**  
**USER CHARGE FUND**  
**SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED APRIL 30, 2018**

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Plant maintenance:</b>			
Salaries	\$ 375,131	\$ 316,005	\$ 59,126
Illinois Municipal Retirement Fund	139,280	32,971	106,309
F.I.C.A.	28,698	23,838	4,860
Unemployment compensation	648	1,257	(609)
Workmen's compensation insurance	9,600	-	9,600
Telephone	2,126	2,691	(565)
Stationery and supplies	480	316	164
Dues and subscriptions	110	21	89
Travel, training and meetings	2,250	1,211	1,039
Data processing	5,000	-	5,000
Vehicle repairs and maintenance	49,435	17,845	31,590
Vehicle gas and oil	-	1,077	(1,077)
Small tools and supplies	10,500	4,253	6,247
Personnel clothing and equipment	6,140	3,279	2,861
Safety equipment and supplies	2,677	2,418	259
Lubricants	16,750	2,945	13,805
Contract maintenance service	294,035	109,335	184,700
Maintenance supplies and material	228,562	70,107	158,455
Major equipment repair	676,350	138,212	538,138
	<u>\$ 1,847,772</u>	<u>\$ 727,781</u>	<u>\$ 1,119,991</u>
Total plant maintenance	<u>\$ 1,847,772</u>	<u>\$ 727,781</u>	<u>\$ 1,119,991</u>

(continued)

**WHEATON SANITARY DISTRICT**  
**USER CHARGE FUND**  
**SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED APRIL 30, 2018**

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Sewer operations and maintenance:</b>			
Salaries	\$ 139,164	\$ 139,394	\$ (230)
Illinois Municipal Retirement Fund	112,685	15,025	97,660
F.I.C.A.	10,646	10,580	66
Unemployment compensation	130	629	(499)
Workmen's compensation insurance	3,840	-	3,840
Telephone	2,560	1,320	1,240
Stationery and supplies	100	122	(22)
Dues and subscriptions	110	75	35
Travel, training and meetings	4,620	45	4,575
Data processing	2,000	-	2,000
Vehicle gas and oil	-	4,252	(4,252)
Small tools and supplies	805	83	722
Personnel clothing and equipment	655	263	392
Safety equipment and supplies	300	-	300
Lift station maintenance	6,320	198	6,122
Interceptor sewer maintenance	69,340	17,932	51,408
Collector sewer maintenance	307,230	290,736	16,494
Engineering services	159,500	200,328	(40,828)
Maintenance supplies and material	3,000	1,080	1,920
	<u>\$ 823,005</u>	<u>\$ 682,062</u>	<u>\$ 140,943</u>
<b>Trustees:</b>			
Salaries	\$ 18,000	\$ 18,000	\$ -
F.I.C.A.	1,377	736	641
Workmen's compensation insurance	210	-	210
Surety bonds	450	236	214
	<u>\$ 20,037</u>	<u>\$ 18,972</u>	<u>\$ 1,065</u>

**WHEATON SANITARY DISTRICT**  
**SCHEDULE OF CAPITAL OUTLAY - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED APRIL 30, 2018**

	Capital Improvements		
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Process equipment	\$ 6,000	\$ 166,070	\$ (160,070)
Land improvements	345,060	73,078	271,982
Plant and buildings	122,000	15,000	107,000
Capital improvement studies	136,000	700,978	(564,978)
Plant expansions	15,448,100	2,726,628	12,721,472
Sewers and extensions	16,000	-	16,000
Totals	<u>\$ 16,073,160</u>	3,681,754	<u>\$ 12,391,406</u>
Less amounts capitalized		<u>(3,588,545)</u>	
Amounts reported as operating expenses		<u>\$ 93,209</u>	

**THIS PAGE INTENTIONALLY LEFT BLANK**