

WHEATON SANITARY DISTRICT
[Wheaton, Illinois]

Audited Financial Statements
And
Supplementary Financial Information

For The Years Ended
April 30, 2019 and 2018

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WHEATON SANITARY DISTRICT

PRINCIPAL OFFICIALS

April 30, 2019

LEGISLATIVE

BOARD OF TRUSTEES

Jeffrey R. Walker

Henry S. Stillwell III

William A. Kindorf III

ADMINISTRATIVE

Matthew Larson, Executive Director

Sue Baert, Plant Superintendent

Diana Soltess, Administrative Services Director

MATHIESON MOYSKI·AUSTIN & Co., LLP

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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, 2019 and 2018 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.

Auditors' 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 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 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.

Members

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Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, 2019 and 2018 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.

Mathewson, Mosycki, Austin & Co. LLP

Wheaton, Illinois
August 8, 2019

WHEATON SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2019 AND 2018

Wheaton Sanitary District (the District) presents the following discussion and analysis of the District's financial performance during the fiscal years ended April 30, 2019 and 2018. 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 \$3,769 thousand.
- Total assets increased \$6,968 thousand, and liabilities increased \$4,730 thousand.
- Total deferred outflows of resources increased \$1,245 thousand, and total deferred inflows of resources decreased by \$286 thousand.
- Total operating revenue increased \$420 thousand or 4.2%
- Operating expenses decreased \$31 thousand or 0.5%

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, 2019 AND 2018

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, 2019 and 2018 is given in Table A-1.

Table A-1
Statement of Net Position
April 30, 2019 and 2018
(000’s)

	<u>FY 2019</u>	<u>FY 2018</u>	<u>Dollar Change</u>	<u>Total Percent Change</u>
Current and Other Assets	\$9,895	\$7,153	\$2,742	38.3%
Capital Assets	<u>\$42,780</u>	<u>\$38,554</u>	<u>\$4,226</u>	11.0%
Total Assets	\$52,675	\$45,707	\$6,968	15.2%
Deferred Outflows of Resources	<u>\$1,555</u>	<u>\$310</u>	<u>\$1,245</u>	401.6%
Total Assets & Deferred Outflows of Resources	<u>\$54,230</u>	<u>\$46,017</u>	<u>\$8,213</u>	17.8%
Long Term Debt Outstanding	\$18,152	\$13,352	\$4,800	35.9%
Other Liabilities	<u>\$1,740</u>	<u>\$1,810</u>	<u>(\$70)</u>	-3.9%
Total Liabilities	<u>\$19,892</u>	<u>\$15,162</u>	<u>\$4,730</u>	31.2%
Deferred Inflows of Resources	<u>\$735</u>	<u>\$1,021</u>	<u>(\$286)</u>	-28.0%
Invested in Capital Assets, Net of Related Debt	\$24,981	\$24,326	\$655	2.7%
Unrestricted	<u>\$8,622</u>	<u>\$5,508</u>	<u>\$3,114</u>	56.5%
Total Net Position	<u>\$33,603</u>	<u>\$29,834</u>	<u>\$3,769</u>	12.6%
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$54,230</u>	<u>\$46,017</u>	<u>\$8,213</u>	17.8%

WHEATON SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2019 AND 2018

A summary of the District's Statement of Net Position as of April 30, 2018 and 2017 is given in Table A-1.1.

Table A-1.1
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, 2019 AND 2018

A condensed summary of the Changes in Net Position for the years ended April 30, 2019 and 2018 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, 2019 and 2018
(000's)

	<u>FY 2019</u>	<u>FY 2018</u>	<u>Dollar Change</u>	<u>Total Percent Change</u>
Operating Revenues	\$10,315	\$9,895	\$420	4.2%
Non-Operating Revenues	<u>\$94</u>	<u>\$46</u>	<u>\$48</u>	104.3%
Total Revenues	<u>\$10,409</u>	<u>\$9,941</u>	<u>\$468</u>	4.7%
Operating Expense	\$6,503	\$6,534	(\$31)	-0.5%
Non-Operating Expense	<u>\$137</u>	<u>\$182</u>	<u>(\$45)</u>	-24.7%
Total Expenses	<u>\$6,640</u>	<u>\$6,716</u>	<u>(\$76)</u>	-1.1%
Changes in Net Position	\$3,769	\$3,225	\$544	16.9%
Beginning Net Position	<u>\$29,834</u>	<u>\$26,609</u>	<u>\$3,225</u>	12.1%
Ending Net Position	<u>\$33,603</u>	<u>\$29,834</u>	<u>\$3,769</u>	12.6%

**WHEATON SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2019 AND 2018**

A condensed summary of the Changes in Net Position for the years ended April 30, 2018 and 2017 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, 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	\$46	\$52	(\$6)	-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	\$182	\$121	\$61	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>\$29,834</u>	<u>\$26,609</u>	<u>\$3,225</u>	12.1%

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 2019</u>	<u>FY 2018</u>	<u>Dollar Change</u>	<u>Total Percent Change</u>
Land	\$174	\$174	N/A	N/A
Construction in Progress	\$12,291	\$6,882	\$5,409	78.6%
Land Improvements	\$1,922	\$1,922	N/A	N/A
Buildings	\$20,070	\$19,755	\$315	1.6%
Machinery and Equipment	\$12,785	\$12,768	\$17	0.1%
Sewers and Extensions	\$27,610	\$27,534	\$76	0.3%
Accumulated Depreciation	(\$32,072)	(\$30,481)	(\$1,591)	5.2%
Net Capital Assets	<u>\$42,780</u>	<u>\$38,554</u>	<u>\$1,911</u>	11.0%

WHEATON SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2019 AND 2018

Major construction in progress projects included the Tertiary Filtration Improvements, and the Northside Interceptor Route Design.

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

DEBT ADMINISTRATION

In FY 2010, the District obtained a combination Water Pollution Control Loan Program (WPCLP) and American Recovery and Reinvestment (ARRA) loan totaling \$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 2016, 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 2017, the District has received an IEPA loan of \$683,781 for engineering and construction costs related to replacement of bar screens.

In FY 2018, the District received an IEPA loan of \$6,415,640 for conversion of the Hydro Clear Sand Filters to Krueger Disk Filters with updated MCC panels.

Anticipated work includes:

The District was awarded a project to convert sodium hypochlorite disinfection to ultraviolet (UV) disinfection with effluent pump replacement. An IEPA loan for \$5,354,541 has been awarded.

There is just one remaining easement required for the Northside Interceptor Sewer Replacement Project. At the time of this writing, the project is estimated to go out to bid sometime in calendar year 2020, 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.

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

**WHEATON SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2019 AND 2018**

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.

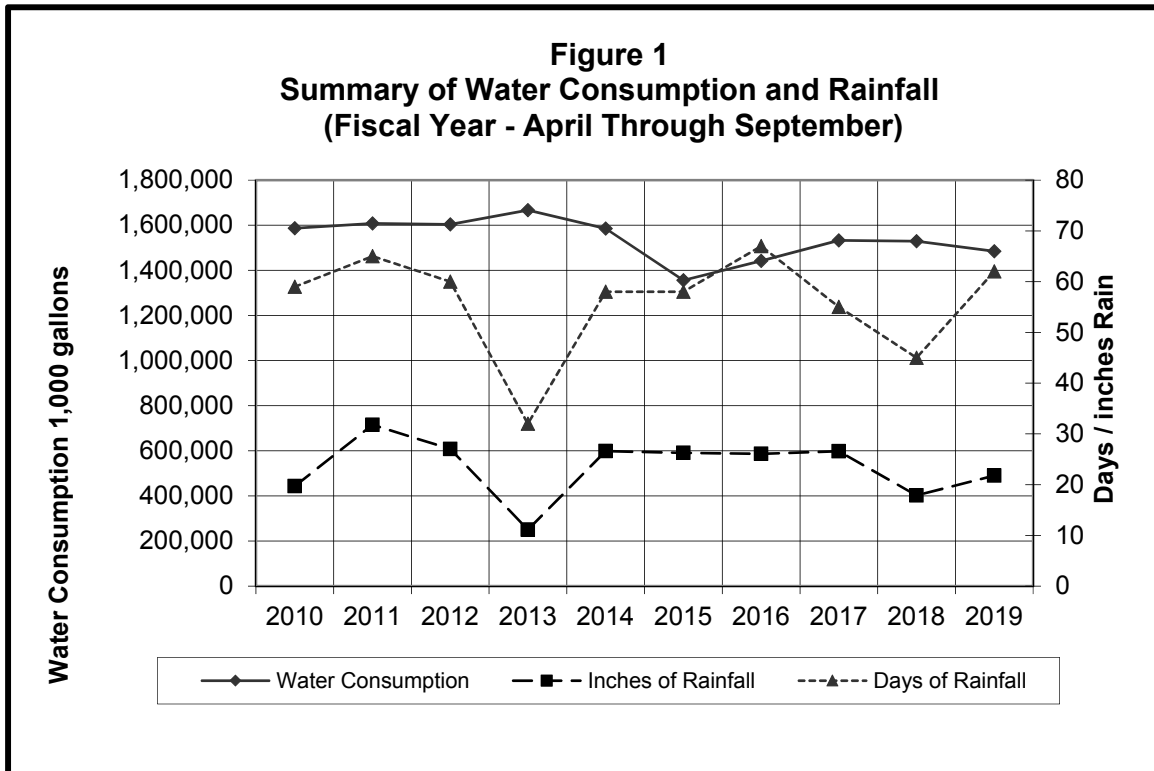
With reliance on user charges, projecting the amount of water to be used by its customers in the coming year becomes critical. Billed water use varies based on the amount of rainfall experienced.

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
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
2019	1,540,000	1,484,628	96%	21.79	62

**WHEATON SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2019 AND 2018**



Based on Illinois Environmental Protection Agency criteria, a typical user consumes 6,000 gallons (800 cubic feet) of water per month. In FY 2019, the cost of collection and sewage treatment for a typical user in the District was \$43.66 per month, approximately \$524 annually.

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, 2019 AND 2018

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.

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WHEATON SANITARY DISTRICT
STATEMENTS OF NET POSITION
APRIL 30, 2019 AND 2018

	2019	2018
Current assets:		
Cash and cash equivalents	\$ 8,235,516	\$ 5,661,184
Receivables		
User charges (net of allowance for uncollectibles of \$25,000)	1,614,715	1,423,428
Special assessments	25,885	25,885
Due from other governmental units	9,483	6,880
Prepaid items	-	21,750
Total current assets	9,885,599	7,139,127
Non-current assets:		
Other assets:		
Special assessments	8,987	13,045
Drum/cylinder deposits	675	675
Total other assets	9,662	13,720
Capital assets:		
Non-depreciable:		
Land	173,777	173,777
Construction in progress	12,290,597	6,882,349
Total non-depreciable capital assets	12,464,374	7,056,126
Depreciable:		
Water treatment facilities and equipment	34,777,040	34,444,593
Sewers and extensions	27,610,767	27,534,006
	62,387,807	61,978,599
Accumulated depreciation	(32,071,787)	(30,481,093)
Total depreciable capital assets	30,316,020	31,497,506
Total capital assets, net	42,780,394	38,553,632
Total non-current assets	42,790,056	38,567,352
Total assets	52,675,655	45,706,479
Deferred outflows of resources:		
Pension - Illinois Municipal Retirement Fund	1,554,621	310,492
Total assets and deferred outflows of resources	\$ 54,230,276	\$ 46,016,971

See Accompanying Notes to the Financial Statements

WHEATON SANITARY DISTRICT
STATEMENTS OF NET POSITION (CONTINUED)
APRIL 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Current liabilities:		
Accounts payable	\$ 577,579	\$ 884,498
Accrued payroll	112,909	91,605
Current maturities of long-term debt	<u>1,049,872</u>	<u>833,717</u>
Total current liabilities	<u>1,740,360</u>	<u>1,809,820</u>
Non-current liabilities:		
Long-term debt, net of current maturities	18,048,992	13,271,220
Deferred revenue - special assessments	13,045	13,045
Compensated absences payable	<u>90,009</u>	<u>67,777</u>
Total non-current liabilities	<u>18,152,046</u>	<u>13,352,042</u>
Total liabilities	<u>19,892,406</u>	<u>15,161,862</u>
Deferred inflows of resources:		
Pension - Illinois Municipal Retirement Fund	<u>734,592</u>	<u>1,020,874</u>
Net position:		
Net investment in capital assets	24,981,485	24,326,151
Unrestricted	<u>8,621,793</u>	<u>5,508,084</u>
Total net position	<u>33,603,278</u>	<u>29,834,235</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 54,230,276</u>	<u>\$ 46,016,971</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, 2019 AND 2018

	2019	2018
Operating revenues:		
Charges for services		
User charges - sewer billings	\$ 4,375,060	\$ 4,433,747
User charges - sewer maintenance	282,821	273,354
User charges - capital improvement	1,188,043	899,978
Sale of plant effluent	7,880	14,151
User charge penalties	98,451	87,418
Septage, leachate and sludge charges	285,343	361,180
Interceptor charges	199,467	193,985
Billing charges	2,030,780	1,875,048
Debt certificate charges	1,679,007	1,614,138
Permit fees	93,631	90,165
Water meter maintenance	1,183	6,991
Other revenues	73,700	44,756
	<u>10,315,366</u>	<u>9,894,911</u>
Operating expenses:		
Administrative	1,917,089	1,749,615
Laboratory	302,649	337,348
Plant operations	1,156,127	1,295,124
Plant maintenance	1,177,604	814,057
Sewer operations and maintenance	321,203	688,995
Trustees	19,012	18,972
Depreciation	1,609,394	1,630,139
	<u>6,503,078</u>	<u>6,534,250</u>
Total operating expenses		
	<u>6,503,078</u>	<u>6,534,250</u>
Operating income	<u>3,812,288</u>	<u>3,360,661</u>
Non-operating revenues (expenses):		
Property and replacement tax	34,800	32,141
Interest income	59,076	14,459
Interest expense	(137,121)	(97,227)
Loss on disposal of capital assets	-	(85,153)
	<u>(43,245)</u>	<u>(135,780)</u>
Net non-operating revenues (expenses)		
	<u>(43,245)</u>	<u>(135,780)</u>
Change in net position	3,769,043	3,224,881
Net position - beginning of year	29,834,235	26,609,354
	<u>33,603,278</u>	<u>29,834,235</u>
Net position - end of year	<u>\$ 33,603,278</u>	<u>\$ 29,834,235</u>

See Accompanying Notes to the Financial Statements

WHEATON SANITARY DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED APRIL 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 10,124,079	\$ 9,869,830
Paid to suppliers and employees	(6,668,331)	(3,726,276)
Net cash flows from operating activities	3,455,748	6,143,554
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income received	59,076	14,459
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Collection of special assessments	4,058	-
Collection of property and replacement tax	34,800	32,141
Construction loan draws	6,420,069	2,386,095
Debt retired	(1,426,142)	(2,878,190)
Interest paid	(137,121)	(97,227)
Acquisition and construction of fixed assets	(5,836,156)	(3,625,675)
Net cash flows from capital and related financing activities	(940,492)	(4,182,856)
Net change in cash and cash equivalents	2,574,332	1,975,157
Cash and cash equivalents - beginning of year	5,661,184	3,686,027
Cash and cash equivalents - end of year	\$ 8,235,516	\$ 5,661,184
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 3,812,288	\$ 3,360,661
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation	1,609,394	1,630,139
Special assessment revenue	-	3,544
Changes in assets and liabilities:		
Receivables - user charges	(191,287)	(28,625)
Prepaid items	21,750	(1,035)
Inventory - water meters	-	4,881
Accounts payable	(306,919)	108,014
Due to/from other governmental units	(2,603)	(6,859)
Accrued payroll	21,304	27,893
Compensated absences	22,232	16,221
Pension contributions	(1,530,411)	1,028,720
Net cash flows from operating activities	\$ 3,455,748	\$ 6,143,554

See Accompanying Notes to the Financial Statements

WHEATON SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2019 AND 2018

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 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. 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, 2019 AND 2018

- *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, 2019 AND 2018

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, 2019 AND 2018

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.

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, 2019 and 2018, none of the District's bank balances of \$8,255,841 and \$5,716,790 were exposed to custodial credit risk.

WHEATON SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
APRIL 30, 2019 AND 2018

NOTE 4. CHANGES IN CAPITAL ASSETS

	Balance April 30, 2018	Additions	Deletions	Balance April 30, 2019
Capital assets, not being depreciated:				
Land	\$ 173,777	\$ -	\$ -	\$ 173,777
Construction in progress	<u>6,882,349</u>	<u>5,800,330</u>	<u>(392,082)</u>	<u>12,290,597</u>
Total capital assets, not being depreciated	<u>7,056,126</u>	<u>5,800,330</u>	<u>(392,082)</u>	<u>12,464,374</u>
Capital assets, being depreciated:				
Water Treatment Facilities:				
Land Improvements	1,921,786	-	-	1,921,786
Buildings	19,754,995	315,321	-	20,070,316
Machinery and equipment	12,767,812	35,826	(18,700)	12,784,938
Sewers and extensions	<u>27,534,006</u>	<u>76,761</u>	<u>-</u>	<u>27,610,767</u>
Total capital assets, being depreciated	61,978,599	427,908	(18,700)	62,387,807
Less: Accumulated Depreciation	<u>(30,481,093)</u>	<u>(1,609,394)</u>	<u>18,700</u>	<u>(32,071,787)</u>
Total capital assets, being depreciated, net	<u>31,497,506</u>	<u>(1,181,486)</u>	<u>-</u>	<u>30,316,020</u>
Total capital assets, net	<u>\$ 38,553,632</u>	<u>\$ 4,618,844</u>	<u>\$ (392,082)</u>	<u>\$ 42,780,394</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, 2019 AND 2018

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.

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, 2019 AND 2018

Employees Covered by Benefit Terms: At December 31, 2018, the number of District employees covered by IMRF were:

Active members	26
Retirees and beneficiaries	19
Inactive, non-retired members	<u>12</u>
Total	<u>57</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 2018 was 10.50% of annual covered payroll. For the calendar year ended December 31, 2018, the District contributed \$179,137 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, 2018. 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, 2019 AND 2018

Actuarial Assumptions: The following are the methods and assumptions used to determine the Total Pension Liability at December 31, 2018:

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	7.25%
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, 2019 AND 2018

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 12/31/18</u>	<u>Projected Returns/Risk</u>	
			<u>One Year Arithmetic</u>	<u>Ten Year Geometric</u>
Equities	37.0%	-6.08%	8.50%	7.15%
International equities	18.0	-14.16	9.20	7.25
Fixed income	28.0	-0.28	3.75	3.75
Real estate	9.0	8.36	7.30	6.25
Alternative investments	7.0	N/A	4.75-12.40	3.20-8.50
Cash equivalents	1.0	N/A	2.50	2.50

Single Discount Rate: A Single Discount Rate of 7.25% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects: (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and (2) the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

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

WHEATON SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
APRIL 30, 2019 AND 2018

Changes in the District's Net Pension Liability: Changes in the District's Net Pension Liability for the year ended December 31, 2018 were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) – (b)
Balance, December 31, 2017	<u>\$ 9,596,983</u>	<u>\$ 9,753,548</u>	<u>\$ (156,565)</u>
Charges for the year:			
Service cost	159,259	-	159,259
Interest	706,631	-	706,631
Difference between expected and actual experience	229,108	-	229,108
Changes in assumptions	270,369	-	270,369
Net investment income	-	(524,353)	524,353
Contributions – employees	-	76,773	(76,773)
Contributions – employers	-	179,137	(179,137)
Benefit payments including refunds of employee contributions	(509,742)	(509,742)	-
Administrative expenses	-	-	-
Other changes	-	<u>248,649</u>	<u>(248,649)</u>
Net changes	<u>855,625</u>	<u>(529,536)</u>	<u>1,385,161</u>
Balance, December 31, 2018	<u>\$ 10,452,608</u>	<u>\$ 9,224,012</u>	<u>\$ 1,228,596</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 7.25%, 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	6.25%	\$ 2,439,791
Current discount rate	7.25	1,228,596
1% increase	8.25	214,478

WHEATON SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
APRIL 30, 2019 AND 2018

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended April 30, 2019, the District recognized pension expense of \$66,699. At April 30, 2019, 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	\$ 173,785	\$ 46,328	\$ 127,457
Changes of assumptions	205,083	152,355	52,728
Net difference between projected and actual earnings on Plan investments	1,137,094	535,909	601,185
Employer contributions to plan after measurement date	<u>38,659</u>	<u>-</u>	<u>38,659</u>
Total	<u>\$ 1,554,621</u>	<u>\$ 734,592</u>	<u>\$ 820,029</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>
2019	\$ 217,334
2020	116,059
2021	179,802
2022	<u>268,175</u>
Total	<u>\$ 781,370</u>

NOTE 6. LONG-TERM DEBT

The following is summary of long-term debt and related transactions for the year ended April 30, 2019:

	Balance May 1, 2018	Additions	Reductions	Balance April 30, 2019	Due within one year
IEPA Loan #1	\$ 8,421,503	\$ -	\$ (623,815)	\$ 7,797,688	\$ 623,815
IEPA Loan #2	4,099,089	-	(181,558)	3,917,531	185,594
IEPA Loan #3	672,238	204	(30,117)	642,325	30,647
IEPA Loan #4	1,068,672	4,530,146	(86,094)	5,512,724	209,816
Net Pension Liability (Asset)	<u>(156,565)</u>	<u>1,889,719</u>	<u>(504,558)</u>	<u>1,228,596</u>	<u>-</u>
Total	<u>\$ 14,104,937</u>	<u>\$ 6,420,069</u>	<u>\$ (1,426,142)</u>	<u>\$ 19,098,864</u>	<u>\$ 1,049,872</u>

WHEATON SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
APRIL 30, 2019 AND 2018

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, 2020 and the total estimated maximum amount to be financed is \$6,415,640. Terms for this loan are in preliminary stages. Loan payments began during the year ending April 30, 2019 based on the preliminary terms. Interest has begun to accrue with interest at 1.75%. Total proceeds received during the year ended April 30, 2019 was \$4,530,146.

WHEATON SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
APRIL 30, 2019 AND 2018

The annual debt service requirements, including interest in the amount of \$1,819,289 for the District as of April 30, 2019, are as follows:

Year Ending April 30	IEPA Loan (1)	IEPA Loan (2)	IEPA Loan (3)	IEPA Loan (4)	Total debt service
2020	\$ 623,815	\$ 271,152	\$ 41,754	\$ 293,428	\$ 1,230,149
2021	623,815	271,151	41,754	293,428	1,230,148
2022	623,815	271,151	41,754	293,427	1,230,147
2023	623,815	271,151	41,754	293,428	1,230,148
2024	623,815	271,151	41,754	293,426	1,230,146
2025 – 2029	3,119,075	1,355,750	208,771	1,467,137	6,150,733
2030 – 2034	1,559,538	1,355,752	208,769	1,467,138	4,591,197
2035 – 2039	-	669,049	124,722	2,003,118	2,796,889
Total	<u>\$ 7,797,688</u>	<u>\$ 4,736,307</u>	<u>\$ 751,032</u>	<u>\$ 6,404,530</u>	<u>\$ 19,689,557</u>

The above schedule includes the loan for Tertiary Filtration Improvements (IEPA Loan #4), based on the preliminary loan terms 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 \$350,000 as of April 30, 2019. 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, 2019 AND 2018

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, 2019

Calendar year ending December 31,	2018	2017	2016	2015	2014
<u>Total pension liability:</u>					
Service cost	\$ 159,259	\$ 140,924	\$ 159,014	\$ 159,043	\$ 168,011
Interest on the total pension liability	706,631	701,114	676,687	654,192	601,314
Difference between expected and actual experience	229,108	(19,962)	(67,892)	(84,690)	11,587
Assumption changes	270,369	(284,925)	(9,806)	-	337,239
Benefit payments and refunds	(509,742)	(435,793)	(434,811)	(421,605)	(372,344)
Net change in total pension liability	855,625	101,358	323,192	306,940	745,807
Total pension liability, beginning	9,596,983	9,495,625	9,172,433	8,865,493	8,119,686
Total pension liability, ending	<u>\$ 10,452,608</u>	<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	\$ 179,137	\$ 166,102	\$ 170,381	\$ 175,606	\$ 175,651
Employee contributions	76,773	71,024	64,976	66,350	66,312
Pension plan net investment income	(524,353)	1,524,507	563,525	41,191	478,568
Benefit payments and refunds	(509,742)	(435,793)	(434,811)	(421,605)	(372,344)
Other	248,649	(178,545)	90,616	(38,036)	69,305
Net change in plan fiduciary net position	(529,536)	1,147,295	454,687	(176,494)	417,492
Plan fiduciary net position, beginning	9,753,548	8,606,253	8,151,566	8,328,060	7,910,568
Plan fiduciary net position, ending	<u>\$ 9,224,012</u>	<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>\$ 1,228,596</u>	<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>88.25</u>	<u>101.63</u>	<u>90.63</u>	<u>88.87</u>	<u>93.94</u>
Covered valuation payroll	<u>\$ 1,706,063</u>	<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>72.01</u>	<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, 2019

<u>Calendar Year Ending December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency/ (Excess)</u>	<u>Covered Valuation Payroll</u>	<u>Actual Contribution as a % of Covered Valuation Payroll</u>
2018	\$179,137	\$179,137	\$ 0	\$1,706,063	10.50%
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 2018 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 20 years for most districts (two districts were financed over 29 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

WHEATON SANITARY DISTRICT
SCHEDULE OF CONTRIBUTIONS - LAST TEN CALENDAR YEARS (CONT.)
(SCHEDULE TO BE BUILT PROSPECTIVELY FROM 2014)
APRIL 30, 2019

	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.
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, 2016, 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, 2019

	User Charge	Capital Improvements	Capital Assets	Debt Service	Totals
Operating revenues:					
Charges for services					
User charges - sewer billings	\$ 4,375,060	\$ -	\$ -	\$ -	\$ 4,375,060
User charges - sewer maintenance	282,821	-	-	-	282,821
User charges - capital improvement	-	1,188,043	-	-	1,188,043
Sale of plant effluent	7,880	-	-	-	7,880
User charge penalties	98,451	-	-	-	98,451
Septage, leachate and sludge charges	191,456	93,887	-	-	285,343
Interceptor charges	199,467	-	-	-	199,467
Billing charges	2,030,780	-	-	-	2,030,780
Debt certificate charges	-	-	-	1,679,007	1,679,007
Permit fees	-	93,631	-	-	93,631
Water meter maintenance	1,183	-	-	-	1,183
Other revenues	73,700	-	-	-	73,700
	<u>7,260,798</u>	<u>1,375,561</u>	<u>-</u>	<u>1,679,007</u>	<u>10,315,366</u>
Operating expenses:					
Administrative	1,917,089	-	-	-	1,917,089
Laboratory	302,649	-	-	-	302,649
Plant operations	1,156,127	-	-	-	1,156,127
Plant maintenance	1,017,164	160,440	-	-	1,177,604
Sewer operations and maintenance	314,836	6,367	-	-	321,203
Trustees	19,012	-	-	-	19,012
Depreciation	-	-	1,609,394	-	1,609,394
	<u>4,726,877</u>	<u>166,807</u>	<u>1,609,394</u>	<u>-</u>	<u>6,503,078</u>
Operating income	<u>2,533,921</u>	<u>1,208,754</u>	<u>(1,609,394)</u>	<u>1,679,007</u>	<u>3,812,288</u>
Non-operating revenues (expenses):					
Property and replacement tax	-	34,800	-	-	34,800
Interest income	23,999	15,941	-	19,136	59,076
Interest expense	-	-	-	(137,121)	(137,121)
Operating transfers	10,728	(4,219)	-	(6,509)	-
Capitalized items	(39,106)	(5,797,050)	5,836,156	-	-
	<u>(4,379)</u>	<u>(5,750,528)</u>	<u>5,836,156</u>	<u>(124,494)</u>	<u>(43,245)</u>
Net non-operating revenues (expenses)	<u>(4,379)</u>	<u>(5,750,528)</u>	<u>5,836,156</u>	<u>(124,494)</u>	<u>(43,245)</u>
Change in net position	<u>\$ 2,529,542</u>	<u>\$ (4,541,774)</u>	<u>\$ 4,226,762</u>	<u>\$ 1,554,513</u>	<u>\$ 3,769,043</u>

WHEATON SANITARY DISTRICT
USER CHARGE FUND
SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL
FOR THE YEAR ENDED APRIL 30, 2019

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Administrative:			
Salaries	\$ 533,621	\$ 567,368	\$ (33,747)
Illinois Municipal Retirement Fund	56,124	55,868	256
F.I.C.A.	48,783	40,928	7,855
Unemployment compensation	907	2,211	(1,304)
Workmen's compensation insurance	420	28,514	(28,094)
Group insurance	550,000	508,516	41,484
Multi-peril insurance	61,600	68,253	(6,653)
Surety bonds	5,300	667	4,633
Liability insurance	14,850	-	14,850
Telephone	16,020	14,214	1,806
Stationery and supplies	3,500	3,854	(354)
Postage	76,000	71,054	4,946
Dues and subscriptions	123,280	122,904	376
Permit fees	33,000	32,500	500
Travel, training and meetings	7,650	6,685	965
Data processing	122,404	100,656	21,748
User charge billing	142,900	75,577	67,323
Car allowance	6,000	6,000	-
Vehicle insurance	8,800	87	8,713
Safety equipment and supplies	200	321	(121)
Contract maintenance service	5,000	245	4,755
Miscellaneous employee expense	8,150	11,402	(3,252)
Legal expense	100,000	106,739	(6,739)
Internal audit	15,000	8,337	6,663
Annual audit	29,500	31,747	(2,247)
Engineering services	10,000	3,000	7,000
Legal publications	4,500	979	3,521
Bank service charges	-	48,463	(48,463)
	<u> </u>	<u> </u>	<u> </u>
Total administrative	<u>\$ 1,983,509</u>	<u>\$ 1,917,089</u>	<u>\$ 66,420</u>

(continued)

WHEATON SANITARY DISTRICT
USER CHARGE FUND
SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL
FOR THE YEAR ENDED APRIL 30, 2019

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Laboratory:			
Salaries	\$ 278,956	\$ 206,499	\$ 72,457
Illinois Municipal Retirement Fund	29,339	14,429	14,910
F.I.C.A.	21,340	16,996	4,344
Unemployment compensation	389	807	(418)
Workmen's compensation insurance	7,680	-	7,680
Natural gas and fuel oil	-	-	-
Stationery and supplies	3,300	2,403	897
Dues and subscriptions	890	435	455
Travel, training and meetings	8,500	2,003	6,497
Data processing	3,980	1,600	2,380
Vehicle gas and oil	-	15	(15)
Small tools and supplies	22,000	5,339	16,661
Personnel clothing and equipment	4,121	1,567	2,554
Safety equipment and supplies	2,750	1,864	886
Contract maintenance service	5,845	187	5,658
Outside laboratory services	42,212	27,447	14,765
Laboratory chemicals and supplies	25,080	21,034	4,046
Maintenance supplies and materials	2,000	24	1,976
	<u>\$ 458,382</u>	<u>\$ 302,649</u>	<u>\$ 155,733</u>
Total laboratory	<u>\$ 458,382</u>	<u>\$ 302,649</u>	<u>\$ 155,733</u>

(continued)

WHEATON SANITARY DISTRICT
USER CHARGE FUND
SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL
FOR THE YEAR ENDED APRIL 30, 2019

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Plant operations:			
Salaries	\$ 527,714	\$ 496,676	\$ 31,038
Illinois Municipal Retirement Fund	55,502	50,491	5,011
F.I.C.A.	40,370	38,881	1,489
Unemployment compensation	1,296	3,090	(1,794)
Workmen's compensation insurance	17,280	-	17,280
Electrical power	317,000	294,380	22,620
Irrigation water pumping	7,000	4,157	2,843
Natural gas and fuel oil	28,000	14,742	13,258
Telephone	4,560	3,803	757
Stationery and supplies	1,725	1,322	403
Dues and subscriptions	650	369	281
Travel, training and meetings	17,800	7,326	10,474
Data processing	60,900	13,570	47,330
Vehicle gas and oil	7,500	5,554	1,946
Diesel fuel	9,590	6,450	3,140
Small tools and supplies	5,400	3,899	1,501
Personnel clothing and equipment	8,107	5,012	3,095
Safety equipment and supplies	16,150	12,283	3,867
Chlorine	23,319	13,684	9,635
Sulfur dioxide	8,234	10,474	(2,240)
Other process materials	50,140	43,429	6,711
Sludge disposal service	100,500	58,532	41,968
Scavenger service	20,100	15,938	4,162
Contract maintenance services	72,800	7,720	65,080
Maintenance materials	5,000	1,751	3,249
Water and sewer	20,040	14,991	5,049
Grounds maintenance supplies	37,000	27,603	9,397
	<u>\$ 1,463,677</u>	<u>\$ 1,156,127</u>	<u>\$ 307,550</u>

(continued)

WHEATON SANITARY DISTRICT
USER CHARGE FUND
SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL
FOR THE YEAR ENDED APRIL 30, 2019

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Plant maintenance:			
Salaries	\$ 379,065	\$ 332,412	\$ 46,653
Illinois Municipal Retirement Fund	39,868	34,573	5,295
F.I.C.A.	28,999	27,153	1,846
Unemployment compensation	648	1,538	(890)
Workmen's compensation insurance	9,600	-	9,600
Telephone	3,696	3,055	641
Stationery and supplies	540	265	275
Dues and subscriptions	110	188	(78)
Travel, training and meetings	2,250	2,875	(625)
Data processing	4,100	1,471	2,629
Vehicle repairs and maintenance	54,685	18,101	36,584
Small tools and supplies	11,650	1,919	9,731
Personnel clothing and equipment	6,515	3,409	3,106
Safety equipment and supplies	2,677	2,650	27
Lubricants	7,200	9,377	(2,177)
Contract maintenance service	316,135	92,710	223,425
Maintenance supplies and material	228,562	96,185	132,377
Major equipment repair	577,500	389,283	188,217
	<u>\$ 1,673,800</u>	<u>\$ 1,017,164</u>	<u>\$ 656,636</u>
Total plant maintenance	<u>\$ 1,673,800</u>	<u>\$ 1,017,164</u>	<u>\$ 656,636</u>

(continued)

WHEATON SANITARY DISTRICT
USER CHARGE FUND
SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL
FOR THE YEAR ENDED APRIL 30, 2019

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Sewer operations and maintenance:			
Salaries	\$ 79,835	\$ 74,563	\$ 5,272
Illinois Municipal Retirement Fund	8,397	8,299	98
F.I.C.A.	6,107	6,246	(139)
Unemployment compensation	130	440	(310)
Workmen's compensation insurance	1,920	-	1,920
Telephone	960	1,096	(136)
Stationery and supplies	100	133	(33)
Dues and subscriptions	110	-	110
Travel, training and meetings	2,200	307	1,893
Data processing	2,000	-	2,000
Small tools and supplies	805	416	389
Personnel clothing and equipment	705	-	705
Safety equipment and supplies	150	-	150
Lift station maintenance	6,320	326	5,994
Interceptor sewer maintenance	92,340	43,908	48,432
Collector sewer maintenance	307,230	-	307,230
Engineering services	159,500	178,974	(19,474)
Maintenance supplies and material	3,000	128	2,872
	<u>\$ 671,809</u>	<u>\$ 314,836</u>	<u>\$ 356,973</u>
Trustees:			
Salaries	\$ 18,000	\$ 18,000	\$ -
F.I.C.A.	1,377	662	715
Workmen's compensation insurance	210	-	210
Surety bonds	450	350	100
	<u>\$ 20,037</u>	<u>\$ 19,012</u>	<u>\$ 1,025</u>

WHEATON SANITARY DISTRICT
SCHEDULE OF CAPITAL OUTLAY - BUDGET AND ACTUAL
FOR THE YEAR ENDED APRIL 30, 2019

	Capital Improvements		
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Process equipment	\$ -	\$ 2,063	\$ (2,063)
Land improvements	417,000	161,166	255,834
Plant and buildings	397,000	271,106	125,894
Capital improvement studies	176,000	253,693	(77,693)
Plant expansions	8,238,500	4,935,240	3,303,260
Sewers and extensions	1,757,500	340,589	1,416,911
Totals	\$ 10,986,000	5,963,857	\$ 5,022,143
Less amounts capitalized		(5,797,050)	
Amounts reported as operating expenses		\$ 166,807	

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