

SOUTH SANGAMON WATER COMMISSION
Rochester, Illinois

ANNUAL FINANCIAL REPORT

For the Year Ended April 30, 2020

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT 1

FINANCIAL STATEMENTS

 Statement of Net Position 2

 Statement of Revenues, Expenses, and Changes in
 Fund Net Position..... 3

 Statement of Cash Flows 4

 Notes to Financial Statements..... 5

REQUIRED SUPPLEMENTARY INFORMATION

Illinois Municipal Retirement Fund

 Multiyear Schedule of Changes in Net Pension Liability and Related Ratios..... 21

 Multiyear Schedule of Contributions..... 22

 Notes to Multiyear Schedule of Contributions..... 23

OTHER INFORMATION

 Schedule of Insurance..... 24

ZUMBAHLEN, EYTH, SURRETT, FOOTE & FLYNN, LTD

Certified Public Accountants

CYNTHIA S. FOOTE, CPA
VALERIE L. FLYNN, CPA
ADAM R. WITHEE, CPA
SUZANNE M. STECKEL, CPA

1395 Lincoln Avenue
Jacksonville, Illinois 62650
217-245-5121
Fax: 217-243-3356
Email: staff@zescpa.com

• MEMBERS •
ILLINOIS SOCIETY OF CPA
AMERICAN INSTITUTE OF CPA

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
South Sangamon Water Commission
Rochester, Illinois 62563

We have audited the accompanying financial statements of the business-type activities of South Sangamon Water Commission as of and for the year ended April 30, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of South Sangamon Water Commission, as of April 30, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the retirement fund historical data on pages 21-22 and the related notes on page 23 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 the 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 South Sangamon Water Commission's basic financial statements. The Schedule of Insurance is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Insurance on pages 24-25 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Bond Compliance

In connection with our audit, nothing came to our attention that caused us to believe that the Commission failed to comply with the provisions of the Commission's master bond ordinance number 10-21, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

Zumbahlen, Eyth, Dematt, Foste + Flynn Ltd

Jacksonville, IL
August 17, 2020

SOUTH SANGAMON WATER COMMISSION
Rochester, Illinois

STATEMENT OF NET POSITION
April 30, 2020

CURRENT ASSETS	
Cash and Cash Equivalents	\$ 178,852
Accounts Receivable	589,379
Prepaid Insurance	2,857
Interest Subsidy and Other Receivables	169,768
Total Current Assets	<u>940,856</u>
NON-CURRENT ASSETS	
Net Pension Asset	15,705
Total Non-Current Assets	<u>15,705</u>
RESTRICTED ASSETS	
Cash and Cash Equivalents	2,465,135
Total Restricted Assets	<u>2,465,135</u>
PROPERTY AND EQUIPMENT	
Land	566,483
Equipment	147,425
Buildings and Infrastructure	33,594,187
Construction in Progress	142,631
Less: Accumulated Depreciation	<u>(6,681,962)</u>
Net Property and Equipment	<u>27,768,764</u>
Total Assets	<u>\$ 31,190,460</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pensions	308,241
Total Deferred Outflows of Resources	<u>308,241</u>
Total Assets and Deferred Outflows of Resources	<u><u>31,498,701</u></u>
CURRENT LIABILITIES	
Accounts Payable and Accrued Liabilities	\$ 39,391
Accrued Interest	569,428
Notes Payable	144,227
Bonds Payable	841,310
Total Current Liabilities	<u>1,594,356</u>
NON-CURRENT LIABILITIES	
Notes Payable Due After One (1) Year	469,643
Bond Principal Due After One (1) Year	29,420,219
Total Non-Current Liabilities	<u>29,889,862</u>
Total Liabilities	<u>31,484,218</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions	4,925
Total Deferred Inflows of Resources	<u>4,925</u>
Total Liabilities and Deferred Inflows of Resources	31,489,143
NET POSITION	
Net Investment in Capital Assets	(3,106,635)
Restricted For:	
Bond Covenants	2,415,267
Conservation Reserve	49,868
Unrestricted	651,058
Total Net Position	<u>9,558</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u><u>\$ 31,498,701</u></u>

See accompanying notes to financial statements

SOUTH SANGAMON WATER COMMISSION
Rochester, Illinois

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
Year Ended April 30, 2020

OPERATING REVENUES	
Charges for Services	\$ <u>3,433,582</u>
Total Operating Revenues	<u>3,433,582</u>
OPERATING EXPENSES	
Personnel	180,952
Chemicals	188,136
Contractual Services and Other	174,267
Insurance and Taxes	29,221
Professional Services	42,146
Rent	3,227
Repairs and Maintenance	110,087
Supplies	22,444
Utilities	102,425
Pension Expense (Revenue)	(309,999)
Depreciation	<u>878,422</u>
Total Operating Expenses	<u>1,421,328</u>
Operating Income (Loss)	<u>2,012,254</u>
NON-OPERATING REVENUE (EXPENSES)	
Interest Income	31,968
Interest Expense	<u>(1,661,596)</u>
Total Non-Operating Revenues (Expenses)	<u>(1,629,628)</u>
Net Income (Loss) Before Contributions	382,626
CAPITAL CONTRIBUTIONS	
Change in Net Position	841,829
Total Net Position, Beginning	<u>(832,271)</u>
Total Net Position, Ending	<u>\$ <u>9,558</u></u>

See accompanying notes to financial statements

SOUTH SANGAMON WATER COMMISSION
Rochester, Illinois

STATEMENT OF CASH FLOWS

Year Ended April 30, 2020

Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 3,070,925
Cash Payments to Suppliers for Goods and Services	(743,653)
Cash Payments to Employees and Related Benefits	(188,380)
Net Cash Provided by (Used for) Operating Activities	<u>2,138,892</u>
Cash Flows from Capital and Related Financing Activities:	
Capital Contributions	459,203
Acquisition and Construction of Capital Assets	(246,122)
Interest Paid on Long Term Debt	(1,669,744)
Repayment of Revenue Bonds	(764,195)
Issuance of Long Term Notes Payable	(136,250)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(2,357,108)</u>
Cash Flows from Investing Activities:	
Interest on Investments	31,968
Net Cash Provided by (Used for) Investing Activities	<u>31,968</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(186,248)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>2,830,235</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 2,643,987</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:	
Operating Income (Loss)	\$ 2,012,254
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Depreciation	878,422
(Increase) Decrease in Accounts Receivable	(362,657)
(Increase) Decrease in Prepaid Insurance	0
(Increase) Decrease in Deferred Outflows of Resources	(305,298)
Increase (Decrease) in Payroll Liabilities	4,504
Increase (Decrease) in Operating Accounts Payable	(71,700)
Increase (Decrease) in Deferred Inflows of Resources	(16,247)
Increase (Decrease) in Net Pension Liability	(386)
Total Adjustments	<u>126,638</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 2,138,892</u>

See accompanying notes to financial statements

SOUTH SANGAMON WATER COMMISSION
Rochester, Illinois
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The South Sangamon Water Commission, Rochester, Illinois operates under the Illinois Compiled Statutes as a Special District, under a Board of Trustees form of Government and provides water service.

The more significant of the Commission's accounting policies are described below:

A. Reporting Entity

The Commissioners are appointed, one each, by Sangamon County, the Village of New Berlin and the Village of Chatham and has the authority to make decisions, hire employees, and significantly influence operations. The Commission also has the primary accountability for fiscal matters.

The Commission's financial statements include the accounts of all Commission operations. The criteria for including organizations within the Commission's reporting entity, as set forth in GASB No. 61, "The Financial Reporting Entity: Omnibus, An Amendment of GASB Statements No. 14 and No. 34", is financial accountability. A component unit is included in the Commission's reporting entity if it is both fiscally dependent on the Commission (primary government) and there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on the primary government. The primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based upon the application of the criteria for inclusion as set forth in GASB No. 61, there are no component units.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Commission is accounted for as a proprietary fund type (enterprise fund) using the flow of economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the Commission are included on the statement of net position.

Under the accrual basis of accounting, revenues are recorded when earned and become measurable and expenses are recorded in the accounting period in which they are incurred and become measurable.

The Commission distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses relate to the primary, continuing operations of the Commission. Principal operating revenues are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

SOUTH SANGAMON WATER COMMISSION
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)

The financial statements of the Commission have been prepared in conformity with accounting principles generally accepted in the United States of America.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported in current assets and current liabilities in the financial statements.

C. Capital Assets

Capital assets which include property, plant and equipment are reported in the Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation.

Capital assets having a useful life greater than one year are capitalized when the asset cost is greater than \$1,500 for equipment, \$10,000 for buildings and improvements, and \$10,000 for infrastructure. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend useful lives are not capitalized. The Commission uses the direct method to record expenses for planned major maintenance. Such expenditures are recorded as incurred. When assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<i>Description</i>	<i>Years</i>
Plant and Buildings	40
Improvements	10-20
Equipment	5-7

D. Cash and Cash Equivalents

Cash and cash equivalents represent cash on hand, cash deposited in checking accounts and certificates of deposit. Certificates of deposit are reported at their cost which approximates their fair value. For purposes of the statement of cash flows, the Commission considers all highly liquid investments such as certificates of deposit to be cash equivalents.

SOUTH SANGAMON WATER COMMISSION
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. Net Position

The Statement of Net Position presents the Commission's assets and deferred outflows and liabilities and deferred inflows with the difference reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds and other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net assets that do not meet the criteria of the two preceding categories.

Note 2. Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Commission's deposits may not be returned or the Commission will not be able to recover collateral securities in the possession of an outside party. The Commission's policy requires deposits to be 110% secured by collateral valued at market or par whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance.

Deposited funds may be invested in certificates of deposit or in accordance with the investment policies adopted by the Commission Board. Collateral agreements must be approved prior to deposit of funds as provided by law. The Commission Board designates a list of authorized depository institutions.

At year-end the Commission's bank balances totaled \$2,689,791. Of this balance, \$500,000 is covered by federal depository insurance coverage, \$1,283,034 is collateralized by securities held by the pledging institution's trust department or agent, but not in the name of the Commission, \$906,756 is listed as having specific pledged collateral held by the pledging financial institution in the name of the Commission.

SOUTH SANGAMON WATER COMMISSION
NOTES TO FINANCIAL STATEMENTS

Note 3. Accounts Receivable

Customer Receivables are recorded as receivables and revenues at their original invoice amount. Management regularly reviews the customer receivable accounts and has deemed no allowance for uncollectible accounts necessary as of April 30, 2020.

Note 4. Restricted Cash and Net Position

The following cash and investments are restricted:

Depreciation, Repair & Replacement	212,107
Debt Service Reserve	1,283,034
Bond & Interest	920,125
CRP Management	49,869
	2,465,135

This same amount is reported as Restricted Net Position.

Note 5. Revenue Bond Ordinances

General Obligation Bonds (Alternate Revenue Source)

	<i>Beginning Balance</i>	<i>Proceeds</i>	<i>Decreases</i>	<i>Ending Balance</i>
(a) Series 2010B	23,505,000			23,505,000
(b) Series 2010C	3,090,000			3,090,000
(c) Series 2010D	510,000		510,000	-
(d) Series 2011	3,920,724		254,195	3,666,529
TOTAL	31,025,724		764,195	30,261,529

(a) Series 2010B (Taxable) Build America Bonds-Direct Payment

\$23,505,000 of 2010 Serial Revenue Bonds issued September 30, 2010, due in annual installments each January 1 beginning 2025 and extending through 2041, interest payable semi-annually each January 1 and July 1 beginning 2011 from 5.4% to 6.125% with a 35% Federal interest subsidy. Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, the Federal government sequestration results in an 8.7% reduction to the Commission's 35% Federal interest subsidy through September 30, 2013, at which time the sequestration rate was subject to change. For fiscal year ending April 30, 2020, the Commission was informed of a sequester reduction of 5.9%. The following schedule assumes the subsidy will be fully reinstated and is subject to change in future years. The annual debt service requirement of these bonds is as follows:

SOUTH SANGAMON WATER COMMISSION
NOTES TO FINANCIAL STATEMENTS

Note 5. Revenue Bond Ordinances (Continued)

Fiscal Year Of Maturity	2010B Serial Revenue Bonds			
	Principal	Interest	B.A.B. 35% Rebate	Net Due
2021		1,394,045	487,916	906,129
2022		1,394,045	487,916	906,129
2023		1,394,045	487,916	906,129
2024		1,394,045	487,916	906,129
2025	475,000	1,394,045	487,916	1,381,129
2026	970,000	1,368,395	478,938	1,859,457
2027	1,035,000	1,314,560	460,096	1,889,464
2028	1,100,000	1,256,083	439,629	1,916,454
2029	1,180,000	1,193,383	417,684	1,955,699
2030	1,245,000	1,126,123	394,143	1,976,980
2031	1,330,000	1,055,157	369,305	2,015,852
2032	1,405,000	976,687	341,840	2,039,847
2033	1,490,000	893,792	312,827	2,070,965
2034	1,560,000	805,883	282,059	2,083,824
2035	1,645,000	713,843	249,845	2,108,998
2036	1,725,000	616,787	215,875	2,125,912
2037	1,815,000	511,131	178,896	2,147,235
2038	1,910,000	399,963	139,987	2,169,976
2039	1,930,000	282,975	99,041	2,113,934
2040	2,020,000	164,763	57,667	2,127,096
2041	670,000	41,037	14,363	696,674
	23,505,000	19,690,787	6,891,775	36,304,012

(b) Series 2010C Tax Exempt General Obligation Bonds

\$3,090,000 of 2010 Serial Revenue Bonds due in annual installments each January 1 beginning 2021 and extending through 2025, interest payable semi-annually each January 1 and July 1 beginning 2011 from 3.4% to 3.8%. The annual debt service requirement of these bonds is as follows:

Fiscal Year Of Maturity	2010C Serial Revenue Bonds		
	Principal	Interest	Total Due
2021	580,000	111,005	691,005
2022	635,000	91,285	726,285
2023	705,000	69,060	774,060
2024	780,000	43,680	823,680
2025	390,000	14,820	404,820
	3,090,000	329,850	3,419,850

SOUTH SANGAMON WATER COMMISSION
NOTES TO FINANCIAL STATEMENTS

Note 5. Revenue Bond Ordinances (Continued)

(c) Series 2010D Taxable General Obligation Bonds

\$1,820,000 of 2010 Serial Revenue Bonds due in annual installments each January 1 beginning 2015 and extending through 2020, interest payable semi-annually each January 1 and July 1 beginning 2011 from 3.0% to 4.5%. As of year ended April 30, 2020 the bond was repaid in full.

(d) Series 2011 Tax-Exempt Subordinate Revenue Bonds

\$5,200,000 issue of 2011 Subordinate Revenue Bonds due in semi-annual installments each January 1 and July 1 beginning 2014 and extending through January 1, 2032, interest payable semi-annually each January 1 and July 1 beginning July 1, 2012 at 2.78% until July 1, 2021. At July 1, 2021, the interest rate will be adjusted to Prime minus 0.75%, with a maximum rate cap of 7.00%.

Fiscal Year Of Maturity	2011 Subordinate Revenue Bonds		
	Principal	Interest	Total Due
2021	261,310	100,126	361,436
2022	268,626	92,810	361,436
2023	276,146	85,290	361,436
2024	283,875	77,561	361,436
2025	291,822	69,614	361,436
2026	299,991	61,445	361,436
2027	308,389	53,047	361,436
2028	317,022	44,414	361,436
2029	325,896	35,540	361,436
2030	335,019	26,417	361,436
2031	344,397	17,039	361,436
2032	354,036	7,398	361,434
	3,666,529	670,701	4,337,230

The revenue bond ordinances require that all monies held by the Commission be segregated and restricted in separate special accounts as follows:

1. Operations and Maintenance Account - A sufficient amount to pay reasonable expenses.
2. Bond and Interest Account – An amount equal to the next annual tax levy to pay the current bond and interest maturities, until which time enough funds have accumulated to abate such tax levy.
3. Debt Service Reserve Account – Used to pay principal and interest costs during which times the bond and interest account contains insufficient funds to pay bond and interest requirements.

SOUTH SANGAMON WATER COMMISSION
NOTES TO FINANCIAL STATEMENTS

Note 5. Revenue Bond Ordinances (Continued)

4. Rebate Fund Account – Interest earned on Federal monies which must be rebated to the United States of America.
5. Bond Reserve and Depreciation Account – Monthly deposits are required until which point the depreciation, repair, and replacement requirement has been met.
6. Surplus Account - Any surplus remaining after making the above deposits.

Note 6. Notes Payable

On May 7, 2018, the Commission borrowed \$750,000 for the purpose of funding repairs and capital improvements. The note calls for five annual payments of principal and interest at a rate of 4.29%, due on June 1 of each year, with the final payment due on June 1, 2023. The anticipated annual debt service requirement of the note is as follows:

Fiscal Year	Principal	Interest	Total
2021	144,227	26,402	170,629
2022	150,487	20,142	170,629
2023	156,943	13,686	170,629
2024	162,213	6,834	169,047
	613,870	67,064	680,934

Note 7. Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. Significant losses are covered by commercial insurance for all major programs: workers' compensation, liability and property. For these programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Note 8. Operating Lease

The Commission has an operating leases for office space. The lease calls for monthly payments of \$175. Future minimum lease payments under the lease are estimated at \$2,100 per year.

SOUTH SANGAMON WATER COMMISSION
NOTES TO FINANCIAL STATEMENTS

Note 9. Illinois Municipal Retirement Fund

IMRF Plan Description

The Commission'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 Commission'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 below. Details of all benefits are available from IMRF.

Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at www.imrf.org.

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). South Sangamon Water Commission participates in the Regular Plan.

The 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:

SOUTH SANGAMON WATER COMMISSION
NOTES TO FINANCIAL STATEMENTS

Note 9. Illinois Municipal Retirement Fund (Continued)

Benefits Provided (Continued)

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

Employees Covered by Benefit Terms

As of December 31, 2019, the Commission's membership consisted of 1 retirees and beneficiaries currently receiving benefits, 1 inactive plan member entitled to but not yet receiving benefits, and 3 active plan members for a total of 5 plan members.

Contributions

As set by statute, the Commission's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Commission's annual contribution rate for calendar year 2019 was 7.13%. For the fiscal year ended April 30, 2020, the Commission contributed \$9,882.69 to the plan. The Commission also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability

The Commission's net pension liability was measured as of December 31, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2019:

- The **Actuarial Cost Method** used was Aggregate Entry Age Normal.
- The **Asset Valuation Method** used was 5-Year Smoothed Market, 20% corridor.
- The **Inflation Rate** was assumed to be 2.50%.
- **Salary Increases** were expected to be 3.35% to 14.25%, including inflation.
- The **Investment Rate of Return** was assumed to be 7.50%.
- **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2017 valuation pursuant to an experience study of the period 2014 to 2016.

SOUTH SANGAMON WATER COMMISSION
NOTES TO FINANCIAL STATEMENTS

Note 9. Illinois Municipal Retirement Fund (Continued)

Actuarial Assumptions (continued)

- For non-disabled retirees, an IMRF specific **Mortality** table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
- For **Disabled Retirees**, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For **Active Members**, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
- The **long-term expected rate of return** on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

SOUTH SANGAMON WATER COMMISSION
NOTES TO FINANCIAL STATEMENTS

Note 9. Illinois Municipal Retirement Fund (Continued)

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:

- 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
- The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.25%, the municipal bond rate is 2.75%, and the resulting single discount rate is 7.25%.

Changes in the Net Pension Liability

	Total Pension Liability <u>(A)</u>	Plan Fiduciary Net Position <u>(B)</u>	Net Pension Liability(Asset) <u>(A) - (B)</u>
Balances at December 31, 2018	\$ 14,103	29,422	\$ (15,319)
Changes for the year:			
Service Cost	11,507		11,507
Interest on the Total Pension Liability	525		525
Changes of Benefit Terms			
Differences Between Expected and Actual Experience of the Total Pension Liability	409,486		409,486
Changes of Assumptions			
Contributions – Employer		9,145	(9,145)
Contributions – Employees		5,772	(5,772)
Net Investment Income		5,116	(5,116)
Benefit Payments, including Refunds of Employee Contributions	(25,221)	(25,221)	0
Other (Net Transfer)		401,871	(401,871)
Net Changes	396,297	396,683	(386)
Balances at December 31, 2019	\$ 410,400	\$ 426,105	\$ (15,705)

SOUTH SANGAMON WATER COMMISSION
NOTES TO FINANCIAL STATEMENTS

Note 9. Illinois Municipal Retirement Fund (Continued)

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

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.25%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	1% Decrease (6.25%)	Current Single Discount Rate (7.25%)	1% Increase (8.25%)
Total Pension Liability	\$ 455,623	\$ 410,400	\$ 372,360
Plan Fiduciary Net Position	426,105	426,105	426,105
Net Pension Liability/(Asset)	\$ 29,518	\$ (15,705)	\$ (53,745)

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

For the year ended April 30, 2020 the Commission recognized pension expense (revenue) of \$(310,000). At April 30, 2020, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Amounts Related to Pensions	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred Amounts to be Recognized in Pension Expense in Future Periods		
Differences between expected and actual experience	\$ 294,423	\$ 4,072
Net difference between projected and actual earnings on pension plan investments	11,032	854
Changes of assumptions	0	(1)
Total Deferred Amounts to be recognized in pension expense in future periods	\$ 305,455	\$ 4,925
Employer contributions subsequent to the measurement date (December 31, 2019)	2,786	
Total Deferred Amounts Related to Pensions	\$ 308,241	\$ 4,925

SOUTH SANGAMON WATER COMMISSION
NOTES TO FINANCIAL STATEMENTS

Note 9. Illinois Municipal Retirement Fund (Continued)

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

Under generally accepted accounting principles, \$2,786 is reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date and would be recognized as a reduction of the net pension liability in the reporting year ended April 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense as follows:

Year ended April 30:	
2020	\$ 113,547
2021	117,540
2022	67,200
2023	2,243
2024	0
2025	0
Total	\$ 300,530

SOUTH SANGAMON WATER COMMISSION
NOTES TO FINANCIAL STATEMENTS

Note 10. Capital Assets

Capital asset activity for the year ended April 30, 2020 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 566,483	\$	\$	\$ 566,483
Construction-in-Process	<u>385,055</u>	<u>10,604</u>	<u>253,028</u>	<u>142,631</u>
Total capital assets not being depreciated	<u>\$ 951,538</u>	<u>\$ 10,604</u>	<u>\$ 253,028</u>	<u>\$ 709,114</u>
Capital assets being depreciated				
Buildings and infrastructure	\$ 33,141,091	\$ 453,096	\$	\$ 33,594,187
Equipment	<u>111,975</u>	<u>35,450</u>	<u></u>	<u>147,425</u>
Total capital assets being depreciated	<u>33,253,066</u>	<u>488,546</u>	<u>-</u>	<u>33,741,612</u>
Less accumulated depreciation for:				
Buildings and infrastructure	5,721,993	858,051		6,580,044
Equipment	<u>81,547</u>	<u>20,371</u>	<u></u>	<u>101,918</u>
Total accumulated depreciation	<u>5,803,540</u>	<u>\$ 878,422</u>	<u>\$ -</u>	<u>6,681,962</u>
Capital assets - net	<u>\$ 28,401,064</u>			<u>\$ 27,768,764</u>

SOUTH SANGAMON WATER COMMISSION
NOTES TO FINANCIAL STATEMENTS

Note 11. Recently Issued and Adopted Accounting Standards

In the fiscal year ending April 30, 2020, the Commission implemented GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, GASB Statement No. 81 – *Irrevocable Split- Interest Agreements*, GASB Statement No. 82 – *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*, GASB Statement No. 85 – *Omnibus 2017*, and GASB Statement No. 86 – *Certain Debt Extinguishment Issues* and all had no impact on the Commission’s financial statements.

The Governmental Accounting Standards Board (GASB) has approved the following:

Statement No. 83, *Certain Asset Retirement Obligations*

Statement No. 84, *Fiduciary Activities*

Statement No. 87, *Leases*

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*

Statement No. 90, *Majority Equity Interests- and amendment of GASB Statement No. 14 and No. 61*

When they become effective, application of these standards may restate portions of these financial statements.

Note 12. Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management evaluated the activity of the Commission through August 17, 2020, the date which the financial statements were available to be issued, and concluded that the following subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

COVID-19

Prior to the issuance of the financial statements, a public emergency was declared in the United States related to a global outbreak of a novel coronavirus (COVID-19). This is an additional risk factor which could impact the operations and valuation of the Commission subsequent to year-end.

SOUTH SANGAMON WATER COMMISSION
NOTES TO FINANCIAL STATEMENTS

Note 12. Subsequent Events (continued)

Bond Refunding

On July 7, 2020, the Commission issued \$28,550,000 in general obligation refunding bonds (alternate revenue source), Series 2020. The purpose of the bonds is to refund the 2010B, 2010C and 2011 bond issuances discussed in note 5. Payments on the new bond issuance begin January 1, 2021, with a final payment on January 1, 2041. Interest on the bonds varies between 3.00% and 4.00% throughout the lifetime of the bond issuance.

Note 13. Construction in Process

As of April 30, 2020, the Commission has spent \$127,708 for engineering fees related to a new green sand filtration system at the water plant. The ultimate cost and timeframe of this project is unknown at the current time due to the early stages of the project.

In addition, the Commission has spent \$14,923 on a master meter relocation project. This project is expected to be completed during the year ending April 30, 2021.

Note 14. Concentration

The Commission receives the majority of total revenue from two customers. During the year ending April 30, 2020, the Village of Chatham and the Village of New Berlin accounted for \$3,057,746 and \$250,987 of total revenue, respectively. This represents 96% of the Commission's total water charges.

SOUTH SANGAMON WATER COMMISSION
MULTIYEAR SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
ILLINOIS MUNICIPAL RETIREMENT FUND

LAST 10 CALENDAR YEARS (to be built prospectively from 2015)

Calendar Year Ending December 31,	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total Pension Liability										
Service Cost	\$ 11,507	-	-	-	8,639					
Interest on the Total Pension Liability	525	882	842	967	6,393					
Benefit Changes	-	-	-	-	-					
Difference Between Expected and Actual Experience	409,486	994	36	(2,645)	(83,147)					
Assumption Changes	-	468	(340)	-	(24)					
Benefit Payments and Refunds	(25,221)	-	-	-	-					
Net Change in Total Pension Liability	396,297	2,344	538	(1,678)	(68,139)					
Total Pension Liability - Beginning	14,103	11,759	11,221	12,899	81,038					
Total Pension Liability - Ending (a)	\$ 410,400	14,103	11,759	11,221	12,899					
Plan Fiduciary Net Position										
Employer Contributions	\$ 9,145	2,714	41	9,287	4,054					
Employee Contributions	5,772	1,508	-	-	1,295					
Pension Plan Net Investment Income	5,116	(1,166)	3,839	893	51					
Benefit Payments and Refunds	(25,221)	-	-	-	-					
Other	401,871	(188)	(48)	44	(450)					
Net Change in Plan Fiduciary Net Position	396,683	2,868	3,832	10,224	4,950					
Plan Fiduciary Net Position - Beginning	29,422	26,554	22,722	12,498	7,548					
Plan Fiduciary Net Position - Ending (b)	\$ 426,105	29,422	26,554	22,722	12,498					
Net Pension Liability/(Asset) - Ending (a) - (b)	\$ (15,705)	(15,319)	(14,795)	(11,501)	401					
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	103.83%	208.62%	225.82%	202.50%	96.89%					
Covered Valuation Payroll	\$ 128,265	33,511	-	-	28,772					
Net Pension Liability as a Percentage of Covered Valuation Payroll	-12.24%	-45.71%	0.00%	0.00%	1.39%					

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

SOUTH SANGAMON WATER COMMISSION
MULTIYEAR SCHEDULE OF CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND

LAST 10 CALENDAR YEARS (To be built prospectively from 2015)

Calendar Year Ending December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a % of Covered Valuation Payroll
2015	\$ -	\$ 4,054	\$ (4,054)	\$ 28,772	14.09%
2016	-	9,287	(9,287)	-	0.00%
2017	-	41	(41)	-	0.00%
2018	2,714	2,714	-	33,511	8.10%
2019	9,145	9,145	-	128,265	7.13%

South Sangamon Water Commission
Notes to Multiyear Schedule of Contributions
Illinois Municipal Retirement Fund

Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2019 Contribution Rate*

Valuation Date:

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

Methods and Assumptions Used to Determine 2019 Contribution Rates:

<i>Actuarial Cost Method:</i>	Aggregate entry age Normal
<i>Amortization Method:</i>	Level percentage of payroll, closed
<i>Remaining Amortization Period:</i>	<i>Non-taxing bodies: 10-year rolling period.</i> <i>Taxing bodies (Regular, SLEP and ECO groups): 24-year closed period</i> <i>Early retirement incentive plan liabilities: a period up to 10 years selected by the employer upon adoption or ERI.</i> SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 19 years for most employers (three employers were financed over 28 years and four others were financed over 29 years).
<i>Asset Valuation Method:</i>	5-year smoothed market; 20% corridor
<i>Wage Growth:</i>	3.25%
<i>Price Inflation:</i>	2.50%
<i>Salary Increases:</i>	3.35% to 14.25%, including inflation
<i>Investment Rate of Return:</i>	7.50%
<i>Retirement Age:</i>	Experience-based table of rates that are specific to the type of eligibility Condition. Last updated for the 2017 valuation pursuant to an experience study of the period 2014 to 2016.
<i>Mortality:</i>	RP-2014 Blue Collar Health Annuitant Mortality Table, adjusted for mortality improvements to match current IMRF experience.

Other Information:

Notes: There were no benefit changes during the year.

* Based on Valuation Assumptions used in the December 31, 2017, actuarial valuation; note two year lag between valuation and rate setting.

SOUTH SANGAMON WATER COMMISSION
Rochester, Illinois
OTHER INFORMATION
SCHEDULE OF INSURANCE
April 30, 2020

PROPERTY OWNERS POLICY Package Policy	Amount of Coverage
Cincinnati Insurance Company: #ETD0487474	
Liability, Property, etc.	
Per Occurrence	\$ 1,000,000
Aggregate	\$ 3,000,000
Liability Umbrella #ETD0487474	
Various Items	\$ 5,000,000
Business Income/Extra Expense #ETD0487474	\$ 2,300,000
Business Auto #ETD0487474	
Hired/Non-Owned	\$ 1,000,000
Business Personal Property #ETD0487474	\$ 100,000
Crime/Fidelity #ETD0487474	\$ 250,000
Building #ETD0487474	\$ 10,550,000
Boiler & Machinery #UPP00079250	\$ 6,000,000
Contractor's Equipment #ETD0487474	\$ 63,200
Data Processing Equipment #ETD0487474	\$ 150,000
Expires May 1, 2021	
WORKERS COMPENSATION LIABILITY	
Cincinnati Insurance Company #EWC0238049-04	
Each Accident, Employee	\$ 1,000,000
Policy Limit	\$ 1,000,000
Expires May 1, 2021	
FIDELITY BONDS	
Ohio Casualty Group #404006386	
Treasurer	\$ 2,500,000
Expires May 1, 2021	

SOUTH SANGAMON WATER COMMISSION
Rochester, Illinois
OTHER INFORMATION
SCHEDULE OF INSURANCE
April 30, 2020

PUBLIC OFFICIALS LIABILITY	Amount of Coverage
United States Liability Ins. Co. #PO1550172A	
Public Officials Liability	
Per Occurrence	\$2,000,000
Aggregate	\$2,000,000
Employment Practices Liability	
Per Occurrence	\$1,000,000
Aggregate	\$1,000,000
Expires August 3, 2020	