



**FOX METRO WATER
RECLAMATION DISTRICT
OSWEGO, ILLINOIS**

ANNUAL FINANCIAL REPORT

For the Years Ended May 31, 2020 and 2019



**FOX METRO WATER RECLAMATION DISTRICT
OSWEGO, ILLINOIS
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Fox Metro Water Reclamation District
Oswego, Illinois

We have audited the accompanying financial statements of the Fox Metro Water Reclamation District (the District), as of and for the years ended May 31, 2020 and 2019, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the Fox Metro Water Reclamation District, as of May 31, 2020 and 2019, and the respective changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the other required supplementary information as listed in the table of contents 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplemental schedules and other supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules are the responsibility of management and were derived from and relate 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 audits 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 schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The other supplemental information as listed in the table of contents has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Sikich LLP

Naperville, Illinois
October 22, 2020

GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS

Management's Discussion and Analysis

The management of Fox Metro Water Reclamation District (District) offer readers of our financial statements the following narrative overview and analysis of our financial activities for the years ended May 31, 2020 and 2019.

Financial Highlights

Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$212,886,542 and \$199,963,152, respectively, (net position) at the close of the 2020 and 2019 fiscal years. Of this amount, \$32,612,585 and \$38,080,271, respectively, is unrestricted and available to meet ongoing and future obligations of the District, including its share of capital projects.

Net position increased by \$12,923,390 and \$11,673,397, respectively. The unrestricted portion increased (decreased) by \$(5,467,686) and \$9,153,422, respectively, while the net investment in capital assets portion increased by \$12,440,160 and \$2,645,863, respectively.

Operating income for the 2020 and 2019 fiscal years were \$14,101,155 and \$13,067,140, respectively.

Operating income for the 2020 and 2019 fiscal years were increased (decreased) by net non-operating revenues (expenses) of \$(1,177,765) and of \$(1,393,743), respectively.

The resulting changes in net position for fiscal years 2020 and 2019 were \$12,923,390 and \$11,673,397, respectively.

Basic Financial Statements

Our basic financial statements are prepared using proprietary fund (enterprise fund) accounting that uses the same basis of accounting as private-sector business enterprises. The District is reported under one enterprise fund. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting is used. Revenues are recorded when earned and expenses are recorded when incurred. The basic financial statements include a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. These are followed by notes to the financial statements. In addition to the basic financial statements, this report also contains required supplementary information and certain supplemental schedules and information that are useful in understanding the overall operations of the District.

The statement of net position presents information on the assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of revenues, expenses, and changes in net position reports the operating revenues and expenses and non-operating revenue and expenses of the District for the fiscal year with the difference - the income or loss before contributions - being combined with any capital contributions to determine the net change in position for the fiscal year. That change combined with last year-end net position total reconciles to the net position total at the end of this fiscal year.

(See independent auditor's report.)

The statement of cash flows reports cash and cash equivalent activities for the fiscal year resulting from operating activities, capital and related financing activities, and investing activities. The net result of these activities added to the beginning of the year cash balance reconciles to the cash and cash equivalent balance at the end of the current fiscal year. Contrary to the other basic financial statements, this statement is prepared on a cash basis.

Financial Information

Net Position: The following schedule presents a summary of net position comparisons for the fiscal years ended May 31, 2020 and 2019 (amounts in thousands).

| | May 31, 2020 | May 31, 2019 | Increase (Decrease) |
|-----------------------------------------------------|-----------------|-----------------|------------------------|
| Current assets | \$ 59,774 | \$ 61,729 | \$ (1,955) |
| Capital assets | 304,666 | 298,294 | 6,372 |
| Total assets | 364,440 | 360,023 | 4,417 |
| Pension Items | 3,036 | 5,740 | (2,704) |
| Total deferred outflows of resources | 3,036 | 5,740 | (2,704) |
| Total assets and deferred outflows of resources | 367,476 | 365,763 | 1,713 |
| Current liabilities | 12,476 | 14,027 | (1,551) |
| Long-term liabilities | 137,247 | 148,494 | (11,247) |
| Total liabilities | 149,723 | 162,521 | (12,798) |
| Pension Items | 4,866 | 3,279 | 1,587 |
| Total deferred inflows of resources | 4,866 | 3,279 | 1,587 |
| Total liabilities and deferred inflows of resources | 154,589 | 165,800 | (11,211) |
| Net position | | | |
| Net investment in capital assets | 171,010 | 158,570 | 12,440 |
| Restricted | 9,264 | 3,313 | 5,951 |
| Unrestricted | 32,613 | 38,080 | (5,467) |
| Total net position | \$ 212,887 | \$ 199,963 | \$ 12,924 |

(See independent auditor's report.)

The District enjoys a very healthy quick ratio (cash and investments/current liabilities) of 4.0 and 3.58 respectively, providing the District with the liquid resources necessary to meet its foreseen and unforeseen operating requirements.

Restricted assets and liabilities payable from restricted assets relate to the District's requirement by the revenue bond covenants to set aside a certain amount of assets for future debt service and capital asset repair and replacement, offset by liabilities payable from said restricted assets.

The largest portion of the District's net position, \$171,009,826 and \$158,569,666, respectively, is net investment in capital assets (e.g., land, buildings, equipment, infrastructure, and improvements). Outstanding debt attributable to these capital assets, primarily Illinois Environmental Protection Agency loans, are deducted from the net book value of capital assets to calculate these figures.

Restricted net position represents outside legal restrictions on the remainder of the net position of the District. The restricted net position of \$9,264,131 and \$3,313,215 respectively, are restricted for use by the revenue bond covenants.

Most of the remaining unrestricted net position of \$32,612,585 and \$38,080,271, respectively, represent resources available to meet both the District's current and capital obligations. This category increased (decreased) (14.36%) and 31.64%, respectively from the prior year amount. The primary use of these net positions is to provide for the District's share of capital project costs, which are expected to total approximately \$141,949,000 over the next five (5) years. The District is tasked with having resources available for future environmental and safety regulations to protect public health, safety, and the environment.

(See independent auditor's report.)

Revenue, expenses and changes in net position. The following schedule presents a summary of revenues, expenses, and changes in net position for the fiscal years ended May 31, 2020 and 2019 (amounts in thousands).

| | May 31, 2020 | May 31, 2019 | Increase (Decrease) |
|----------------------------------------|-----------------|-----------------|------------------------|
| Operating revenues | | | |
| Wastewater treatment (user) charges | \$ 43,166 | \$ 40,797 | \$ 2,369 |
| Connection fees | 2,317 | 2,545 | (228) |
| Sewer TV inspection charges | 34 | 74 | (40) |
| Other operating revenues | 125 | 295 | (170) |
| Total operating revenues | 45,642 | 43,711 | 1,931 |
| Operating expenses | | | |
| Operations | 14,663 | 15,822 | (1,159) |
| Administration | 6,570 | 6,533 | 37 |
| Depreciation | 10,308 | 8,289 | 2,019 |
| Total operating expenses | 31,541 | 30,644 | 897 |
| Operating income (loss) | 14,101 | 13,067 | 1,034 |
| Nonoperating revenues (expenses) | | | |
| Investment income | 720 | 705 | 15 |
| Replacement taxes | 394 | 361 | 33 |
| Annexation and related fees | 333 | 416 | (83) |
| Other nonoperating revenues | 337 | 983 | (646) |
| Interest expense and fiscal charges | (2,713) | (3,858) | 1,145 |
| Gain (loss) on sale of capital assets | (249) | (1) | (248) |
| Total nonoperating revenues (expenses) | (1,178) | (1,394) | 216 |
| Change in net position | \$ 12,923 | \$ 11,673 | \$ 1,250 |

Operating revenues represent exchange transactions with the constituents of the District for treatment of wastewater. The District provides these services to the communities of Aurora, North Aurora, Montgomery, Oswego and Sugar Grove as well as unincorporated areas of DuPage, Kane, Kendall and Will counties. Primary operating revenues are wastewater treatment charges to the approximately 83,397 users in the communities and unincorporated areas served by the District. The District is responsible for the collection (from the lift station to the treatment plant) and treatment of wastewater in these areas with the communities being responsible for the collector lines from the point of usage to the lift station. The number of users increased by 561 from 2019 to 2020, and has increased on average 0.55% over the last five years. The number of users is anticipated to grow by 4% in total over the next ten years due to the slow growth occurring in most areas served by the District. User fees are generally calculated based on water consumption. The current user rates per one thousand gallons are \$6.53 and \$6.24 for 2020 and 2019, respectively. The District has the ability to set its own user fees based on operating, capital, and cash flow needs of the District. The scheduled rate increase for 2020-2021 has been deferred at least one year. The impact of this delay will not be seen until 2021 and beyond.

This past year, wastewater treatment charges increased \$2,368,535 or about 5.81% over last year. Other operating revenue sources decreased \$438,157.

(See independent auditor's report.)

Operating expenses are those expenses directly resulting from providing services to our constituents. The District's operating expenses are grouped into three primary categories; operations, administration, and depreciation. Operations include salaries and employee benefits exclusive of administrative personnel salaries, utilities, supplies, maintenance, engineering fees, and other costs; administration includes administrative personnel salaries and employee benefits insurance, professional services, office supplies, and other costs; depreciation results from allocating the cost of the capital assets used to provide services over the assets respective useful lives. Operating expenses increased by \$896,363 or 2.93% from 2019.

Overall the District reported an operating income of \$14,101,155 and \$13,067,140 for fiscal 2020 and 2019, respectively. The operating income in 2020 is mainly attributed to wastewater treatment charges for increased usage over the prior year. The operating income is attributed to management's efforts to build fund balance in order to support cash flows and future plant improvement and plant expansions as well as funding debt payments.

Non-operating revenues and expenses represent those revenues and expense that are 1) incidental to providing services, or 2) one-time revenues not correlated to user fees. Net non-operating revenues (expenses) for fiscal years 2020 and 2019 totaled (\$1,177,765) and (\$1,393,743), respectively, and are comprised primarily of annexation and related fees. These fees are comprised of two components, 1) annexation fees and 2) infrastructure participation fees. The primary non-operating expenses are interest costs on the District's outstanding debt obligations and losses associated with disposal of outdated fixed assets.

Overall, net position for fiscal 2020 and 2019 increased by \$12,923,390 and \$11,673,397, respectively.

Net Position Budgetary Analysis. This schedule is used to reconcile capital expenditures budgeted and completed in 2020 as compared to the planned budget for 2021. Due to unforeseen circumstances including weather, contractor delays, and unanticipated engineering considerations, not all projects are completed during the planned fiscal year. This creates unanticipated surpluses or deficits. The surpluses from 2020 will be used to complete projects in 2021. The goal is to present this phenomenon in a timely and transparent manner. The pandemic magnified the impact of project timing as all construction was halted from March through June 2020. For a more detailed breakout of budget versus actual, see Schedules of Revenues and Expenses – Budget and Actual in the Supplemental Schedules.

| | 2020 Budget | 2020 Actual | Variance | 2021 Budget | Budget Increase (Decrease) |
|-----------------------------------------|-----------------|---------------|---------------|----------------|----------------------------|
| Revenues (excluding IEPA loan proceeds) | \$ 45,777,783 | \$ 47,426,873 | \$ 1,649,090 | \$ 45,923,400 | \$ 145,617 |
| IEPA loan proceeds | 5,000,000 | 1,114,684 | (3,885,316) | 800,000 | (4,200,000) |
| Expenditures (excluding capital) | (30,481,480) | (29,695,909) | 785,571 | (31,084,535) | (603,055) |
| Capital expenditures | (31,801,520) | (18,724,121) | 13,077,399 | (23,471,020) | 8,330,500 |
| Total revenues over expenses | \$ (11,505,217) | \$ 121,527 | \$ 11,626,744 | \$ (7,832,155) | 3,673,062 |

(See independent auditor's report.)

Capital Assets. Capital assets are defined by the District as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are stated at cost or at estimated historical cost for purchased or constructed capital assets and at fair value for contributed capital assets. The following table summarizes the capital asset activity of the District. Additional information regarding the capital asset activity can be found in Note 4.

| | Beginning Balance June 1 | Additions | Retirements | Ending Balance May 31 |
|---------------------------------------------|--------------------------------|----------------------|----------------------|-----------------------------|
| 2020 | | | | |
| Total capital assets not being depreciated | \$ 28,737,532 | \$ 15,583,010 | \$ 18,416,903 | \$ 25,903,639 |
| Total capital assets being depreciated | 421,802,813 | 19,762,733 | 7,605,355 | 433,960,191 |
| Total accumulated depreciation | 152,245,846 | 10,308,169 | 7,356,054 | 155,197,961 |
| Total capital assets being depreciated, net | 269,556,967 | 9,454,564 | 249,301 | 278,762,230 |
| CAPITAL ASSETS, NET | \$ 298,294,499 | \$ 25,037,574 | \$ 18,666,204 | \$ 304,665,869 |
| 2019 | | | | |
| Total capital assets not being depreciated | \$ 110,525,123 | \$ 21,427,274 | \$103,214,865 | \$ 28,737,532 |
| Total capital assets being depreciated | 317,549,443 | 106,019,420 | 1,766,050 | 421,802,813 |
| Total accumulated depreciation | 145,720,908 | 8,289,668 | 1,764,730 | 152,245,846 |
| Total capital assets being depreciated, net | 171,828,535 | 97,729,752 | 1,320 | 269,556,967 |
| CAPITAL ASSETS, NET | \$ 282,353,658 | \$119,157,026 | \$103,216,185 | \$ 298,294,499 |

The capital assets are comprised primarily of the treatment facility located in Montgomery, Illinois along the Fox River and transmission lines and lift stations. The current treatment plant is approximately 90 years old and meets all current EPA requirements. It has an overall capacity of 42 MGD, of which average daily usage is 32.9 MGD and peak daily usage is 85 MGD. This provides the District with 54 MGD of excess capacity which is projected to accommodate the increased rain-event flows from combined sewers in the City of Aurora. Anticipated future growth is projected to increase demand to 52 MGD, which will require expansion of the existing treatment facility, construction of an additional treatment facility, or both in order to meet the growing constituent base and new EPA standards. The District maintains approximately 240 miles of collections systems and 11 lift stations.

(See independent auditor's report.)

Long-term debt. The District has the ability to issue long-term debt to finance the construction, acquisition and replacement of capital assets used in the District's operations as well as to provide short term cash flow financing for operations, if necessary. The District's debt is comprised of eight IEPA loans. The District has an AA bond rating from (Moody's/Standard and Poor's). The IEPA loans are low interest loans funded through the Illinois IEPA revolving loan fund. Additional information regarding the long-term debt of the District can be found in Note 6.

Other Financial Information

The District has the ability under Illinois Compiled Statutes (ILCS) to adopt a property tax levy for certain costs as well as for debt service, with approval from the voters, as the District is considered a tax capped entity. The District has not levied for property taxes in over thirty years, instead relying on user fees and non-operating revenues to cover the costs of providing services to the constituents.

The full-time employees and certain part time employees of the District are covered by the Illinois Municipal Retirement Fund, an agent multiple employer pension plan. The funded status of the plan as of December 31, 2019 and 2018 (latest information available) was 94.47% and 83.96%, respectively. The decrease in the funded status of the plan in 2018 was due to a decrease in IMRF's expected rate of return and the difference between projected and actual earnings. The decrease was offset by increases in earnings in 2019.

Economic Factors and Future Rates

Fox Metro has developed a comprehensive long-term capital improvement plan and several other planning documents that have been approved by Fox Metro's Board of Trustees and the Illinois Environmental Protection Agency. The decision-making for these projects is predicated upon the age of the asset, its overall condition and an assessment of the year-to-year maintenance costs versus the cost of rehabilitating or replacing the asset. Additionally, the performance of the asset is evaluated in terms of meeting Fox Metro's level of service goals when considering rehabilitation, improvement or replacement. All capital improvements, their funding, and implementation schedule are based upon needs of satellite partners and projected population growth as well as the age and condition of assets.

While not all inclusive, the featured projects highlight some of the major capital activities, in excess of \$141.9 million, planned for the next several years. Clarifier improvements, Main Pump Station Bar Screen Improvements, Digester Control Improvements, Aeration Walkways Rehabilitation, Outfall Streambank Repairs, Generator Replacement of Orchard Road Pump Station, and Basin 43 Improvements. Numerous annual maintenance projects make up the balance of the projects. Sewer Lining Projects throughout the service area, approximately 5,000 linear feet each year are lined to reduce infiltration and inflow and to provide structural stability within the existing pipe. There will also be continuing South Plant and North Plant improvement projects for odor control.

COVID-19 has created an unprecedented threat to health, safety, and welfare throughout the world. The District is taking steps to protect its employees as well as its ratepayers. These protections have financial impacts associated with them. Impacts in 2021 will be much larger than in 2020.

Revenues are impacted because the Board has deferred the planned annual rate increase for June 2020 indefinitely. Additionally, a moratorium has been placed on late fees and shut-offs at least until March 2021. Impact on fiscal year-end financials is approximately \$161,191 in late fees foregone from March 2020 through May 2020. Projected foregone late fee revenue for 2021 is \$800,000 based on prior year amounts.

(See independent auditor's report.)

Additional expenses are also incurred for additional cleaning, masks, and safety supplies. These costs were \$21,790 in 2020. Costs are expected to be significantly higher in 2021 as the District has invested in additional disinfection equipment including sprayers, personal protective equipment including gloves, masks, and face shields/ safety eyewear. Three modular facilities were leased for one year beginning October 2020 in order to ensure operations continuity. Expected costs are in the range of \$125,000 over the 12 months.

Requests for Information. The financial report is intended to provide an overview of the finances of the Fox Metro Water Reclamation District for those with an interest in this organization. Questions concerning any information contained in this report may be directed to Mr. Jimmie Delgado, Assistant District Manager, 682 Route 31, Oswego, Illinois 60543.

BASIC FINANCIAL STATEMENTS

**FOX METRO WATER RECLAMATION DISTRICT
OSWEGO, ILLINOIS**

STATEMENTS OF NET POSITION

May 31, 2020 and 2019

| | 2020 | 2019 |
|-------------------------------------------------------------------|---------------|---------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 11,688,573 | \$ 12,696,659 |
| Investments | 28,988,077 | 34,150,138 |
| Restricted assets | | |
| Investments | 9,264,131 | 3,313,215 |
| Receivables | | |
| Accounts (net of allowance for uncollectible accounts) | 2,536,961 | 2,091,525 |
| Unbilled user fee revenue | 5,879,180 | 5,762,805 |
| Interest | 47,383 | 120,891 |
| Other | 51,150 | - |
| IEPA revolving loan receivable | 1,045,105 | 3,288,905 |
| Due from other governments | 75,692 | 110,927 |
| Prepaid expenses | | |
| Insurance | 198,002 | 193,659 |
| | <hr/> | <hr/> |
| Total current assets | 59,774,254 | 61,728,724 |
| NONCURRENT ASSETS | | |
| Capital assets not being depreciated | 25,903,639 | 28,737,532 |
| Capital assets being depreciated, net of accumulated depreciation | 278,762,230 | 269,556,967 |
| | <hr/> | <hr/> |
| Total net capital assets | 304,665,869 | 298,294,499 |
| | <hr/> | <hr/> |
| Total assets | 364,440,123 | 360,023,223 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| IMRF pension items | 2,179,063 | 5,297,973 |
| OPEB pension items | 856,723 | 442,505 |
| | <hr/> | <hr/> |
| Total deferred outflows of resources | 3,035,786 | 5,740,478 |
| | <hr/> | <hr/> |
| Total assets and deferred outflows of resources | 367,475,909 | 365,763,701 |

(This statement is continued on the following page.)

**FOX METRO WATER RECLAMATION DISTRICT
OSWEGO, ILLINOIS**

STATEMENTS OF NET POSITION (Continued)

May 31, 2020 and 2019

| | 2020 | 2019 |
|---------------------------------------------------------------------------------|-----------------------|-----------------------|
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 1,709,101 | \$ 2,628,178 |
| Construction retainage payable | 1,600,544 | 2,985,688 |
| Wages payable | 328,160 | 305,643 |
| Accrued vacation and sick pay, current portion | 238,962 | 225,947 |
| Claims liability | 286,662 | 183,841 |
| Unearned revenues | 143,652 | 161,402 |
| Due to other governments, current portion | 224,136 | 214,021 |
| Accrued interest | 614,561 | 594,281 |
| Current portion of long-term debt | 6,971,109 | 6,470,396 |
| Current portion of total OPEB liability | 358,770 | 257,788 |
| Total current liabilities | <u>12,475,657</u> | <u>14,027,185</u> |
| LONG-TERM LIABILITIES | | |
| Accrued vacation and sick pay, net of current portion | 955,846 | 903,786 |
| Water pollution control revolving fund notes payable, net of current portion | 121,456,854 | 127,812,336 |
| Due to other governments, net of current portion | 5,003,944 | 5,228,080 |
| Net pension liability | 2,752,531 | 7,704,776 |
| Total OPEB liability | <u>7,078,003</u> | <u>6,845,174</u> |
| Total long-term liabilities | <u>137,247,178</u> | <u>148,494,152</u> |
| Total liabilities | <u>149,722,835</u> | <u>162,521,337</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| IMRF pension items | 2,682,142 | 1,083,371 |
| OPEB pension items | <u>2,184,390</u> | <u>2,195,841</u> |
| Total deferred inflows of resources | <u>4,866,532</u> | <u>3,279,212</u> |
| Total liabilities and deferred inflows of resources | <u>154,589,367</u> | <u>165,800,549</u> |
| NET POSITION | | |
| Net investment in capital assets | 171,009,826 | 158,569,666 |
| Restricted under IEPA loan covenant | 9,264,131 | 3,313,215 |
| Unrestricted | <u>32,612,585</u> | <u>38,080,271</u> |
| TOTAL NET POSITION | <u>\$ 212,886,542</u> | <u>\$ 199,963,152</u> |

See accompanying notes to financial statements.

**FOX METRO WATER RECLAMATION DISTRICT
OSWEGO, ILLINOIS**

STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION

For the Years Ended May 31, 2020 and 2019

| | 2020 | 2019 |
|------------------------------------------|------------------------------|------------------------------|
| OPERATING REVENUES | | |
| Wastewater treatment (user) charges | \$ 43,165,852 | \$ 40,797,317 |
| Connection fees | 2,316,450 | 2,544,886 |
| Sewer T.V. inspection charges | 34,286 | 74,099 |
| Montgomery pump station operation | 3,300 | 9,900 |
| Pretreatment recovery revenue | 122,434 | 286,188 |
| Lien adjustments | (420) | (866) |
| Total operating revenues | <u>45,641,902</u> | <u>43,711,524</u> |
| OPERATING EXPENSES | | |
| Operations | 14,662,831 | 15,821,846 |
| Administration | 6,569,747 | 6,532,870 |
| Depreciation | 10,308,169 | 8,289,668 |
| Total operating expenses | <u>31,540,747</u> | <u>30,644,384</u> |
| OPERATING INCOME | <u>14,101,155</u> | <u>13,067,140</u> |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Investment income | 719,833 | 705,525 |
| Gain (loss) on sale of capital assets | (249,301) | (1,320) |
| Replacement taxes | 394,655 | 360,537 |
| Annexation and related fees | 333,391 | 415,829 |
| Other revenue | 337,092 | 983,439 |
| Interest expense and fiscal charges | (2,713,435) | (3,857,753) |
| Total non-operating revenues (expenses) | <u>(1,177,765)</u> | <u>(1,393,743)</u> |
| CHANGE IN NET POSITION | 12,923,390 | 11,673,397 |
| NET POSITION, JUNE 1 | <u>199,963,152</u> | <u>188,289,755</u> |
| NET POSITION, MAY 31 | <u><u>\$ 212,886,542</u></u> | <u><u>\$ 199,963,152</u></u> |

See accompanying notes to financial statements.

**FOX METRO WATER RECLAMATION DISTRICT
OSWEGO, ILLINOIS**

STATEMENTS OF CASH FLOWS

For the Years Ended May 31, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|---------------------------------------------------------------------|---------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from customers | \$ 45,011,191 | \$ 44,181,674 |
| Payments to suppliers | (14,892,726) | (19,615,965) |
| Payments to employees | (6,808,577) | (6,475,499) |
| | <u>23,309,888</u> | <u>18,090,210</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Replacement taxes | 394,655 | 360,537 |
| Annexation and related fees | 333,391 | 415,829 |
| Other revenues | 372,327 | 1,775,199 |
| | <u>1,100,373</u> | <u>2,551,565</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition and construction of capital assets | (18,904,688) | (22,028,360) |
| Interest paid and fiscal charges | (2,693,155) | (3,309,105) |
| Principal paid on state revolving fund notes payable | (6,969,454) | (3,012,741) |
| Principal paid on due to other governments | (214,020) | (206,584) |
| Proceeds from state revolving fund notes payable | 3,358,484 | 25,204,940 |
| | <u>(25,422,833)</u> | <u>(3,351,850)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Investment income received | 793,341 | 637,236 |
| (Purchase) proceeds of investments | (788,855) | (5,632,565) |
| | <u>4,486</u> | <u>(4,995,329)</u> |

(This statement is continued on the following page.)

**FOX METRO WATER RECLAMATION DISTRICT
OSWEGO, ILLINOIS**

STATEMENTS OF CASH FLOWS (Continued)

For the Years Ended May 31, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | \$ (1,008,086) | \$ 12,294,596 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>12,696,659</u> | <u>402,063</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u><u>\$ 11,688,573</u></u> | <u><u>\$ 12,696,659</u></u> |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Operating income | <u>\$ 14,101,155</u> | <u>\$ 13,067,140</u> |
| Adjustments to reconcile operating income to net cash from operating activities | | |
| Depreciation | 10,308,169 | 8,289,668 |
| Changes in assets and liabilities | | |
| Accounts payable | (328,373) | (3,788,848) |
| Accounts receivable | (445,436) | 76,707 |
| Unbilled user fee receivable | (116,375) | 397,443 |
| Other receivables | (51,150) | - |
| Prepaid expenses | (4,343) | (5,754) |
| Wages payable | 22,517 | 52,912 |
| Accrued vacation and sick pay | 65,075 | 45,633 |
| Claims liability | 102,821 | 483 |
| Total OPEB liability | 333,811 | 396,980 |
| Net pension liability | (4,952,245) | 7,093,622 |
| Deferred pension items - OPEB | (425,669) | (347,159) |
| Deferred pension items - IMRF | 4,717,681 | (7,184,617) |
| Unearned revenues | <u>(17,750)</u> | <u>(4,000)</u> |
| Total adjustments | <u>9,208,733</u> | <u>5,023,070</u> |
| NET CASH FROM OPERATING ACTIVITIES | <u><u>\$ 23,309,888</u></u> | <u><u>\$ 18,090,210</u></u> |
| NONCASH TRANSACTIONS | | |
| IEPA revolving loan receivable and payable | <u>\$ 1,045,105</u> | <u>\$ 3,288,905</u> |
| TOTAL NONCASH TRANSACTIONS | <u><u>\$ 1,045,105</u></u> | <u><u>\$ 3,288,905</u></u> |

See accompanying notes to financial statements.

**FOX METRO WATER RECLAMATION DISTRICT
OSWEGO, ILLINOIS**

NOTES TO FINANCIAL STATEMENTS

May 31, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Fox Metro Water Reclamation District (the District) is an Illinois unit of local government organized in 1925 under the Illinois Sanitary District Act of 1917. The Board of Trustees is appointed by state legislators who serve communities within district boundaries.

The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

a. Reporting Entity

The District is considered to be a primary government since it is legally separate and fiscally independent. These financial statements include all functions, programs, and activities under the control of the Board of Trustees of the District.

b. Fund Accounting

Governmental resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into a single fund.

Proprietary Funds

Enterprise Funds

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the District is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the District has decided that periodic determination of revenues earned, expenses incurred, and net income or loss is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

FOX METRO WATER RECLAMATION DISTRICT
OSWEGO, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statements of net position. Proprietary fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net position. Operating revenues and expenses are directly attributable to the operation of the proprietary funds. Non-operating revenue/expenses are incidental to the operations of these funds.

The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

d. Cash and Cash Equivalents

For purposes of the statements of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

e. Investments

Investments with a maturity date of less than one year from the date of purchase and non-negotiable certificates of deposit are recorded at cost or amortized cost. Investments with a maturity date of more than one year from the date of purchase are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District held no investments subject to fair value measurement at May 31, 2020 or 2019.

f. Accounts Receivable and Unbilled User Fees

The District recognizes wastewater treatment (user) charges in the period in which they are provided. The District bills these services on a bimonthly basis. An allowance for uncollectible accounts is provided based upon historical losses.

g. Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond the date of this report are recorded as prepaid expenses.

**FOX METRO WATER RECLAMATION DISTRICT
OSWEGO, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Restricted Assets

Proceeds of Illinois EPA Loans, as well as certain resources set aside for their repayment, are classified as restricted assets on the statements of net position because their use is limited by applicable loan covenants.

i. Capital Assets

Capital assets are defined by the District as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are stated at cost or at estimated historical cost.

Capital assets contributed to the District are recorded at acquisition value on the date contributed. Depreciation is computed under the straight-line method over the estimated useful lives of the assets. Depreciation is not recognized on construction in progress.

The following is a summary of useful lives used for depreciation of the various classes of capital assets:

| Class | Useful Life in Years |
|-----------------------------------------|-------------------------|
| Plant - buildings and improvements | 5-50 |
| Sanitary sewers and improvements | 50 |
| Plant machinery and equipment | 3-50 |
| Office furniture and equipment | 5-15 |
| Capitalized engineering and other costs | 3-50 |
| Vehicles | 3-5 |

j. Compensated Absences

Compensated absences (sick days and vacation) are recorded in the period in which they are earned by employees whether or not actually paid.

k. Net Position

Restricted net position represents amounts required to be segregated by Illinois EPA Loan covenants ordinance provisions. Net investment in capital assets represents the book value of capital assets less outstanding long-term debt principal issued to construct or acquire capital assets. None of the District's net position is restricted as a result of enabling legislation adopted by the District. If restricted or unrestricted funds are available for spending, the restricted funds are spent first.

FOX METRO WATER RECLAMATION DISTRICT
OSWEGO, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l. Annexation and Related Fees

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, effective for fiscal years beginning after June 15, 2000, the District began recognizing capital contributions from non-exchange transactions as non-operating revenues beginning with fiscal year 2002. The District recognizes fees realized under annexation arrangements as revenue in the period received.

m. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

n. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, deferred inflows 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.

2. DEPOSITS AND INVESTMENTS

The District's investment policy authorizes the District to invest in all investments allowed by Illinois Compiled Statutes (ILCS). These include deposits/investments in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States Government or agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, The Illinois Funds (created by the Illinois State Legislature under the control of the State Comptroller that maintains a \$1 per share value which is equal to the participants fair value), and the Illinois Metropolitan Investment Fund (IMET), a not-for-profit investment trust formed pursuant to

**FOX METRO WATER RECLAMATION DISTRICT
OSWEGO, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)**

2. DEPOSITS AND INVESTMENTS (Continued)

the Illinois Municipal Code and managed by a Board of Trustees elected from the participating members. IMET is not registered with the SEC as an investment company. Investments in IMET are valued at IMET's share price, the price for which the investment could be sold. The District's investment policy does limit its deposits to financial institutions that are members of the FDIC system and are capable of posting collateral for amounts in excess of FDIC insurance.

It is the policy of the District to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District and conforming to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio. The primary objectives of the policy are, in order of priority, safety of principal, liquidity, and rate of return.

The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The District held no investments subject to fair value measurement at May 31, 2020 or 2019.

Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District's investment policy requires pledging of collateral for all bank balances in excess of federal depository insurance. The District's investment policy does not address how collateral is to be held. At May 31, 2020 and 2019, deposits with financial institutions were collateralized by a letter of credit issued by the Federal Home Loan Bank.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District limits its exposure to interest rate risk by remaining sufficiently liquid to meet all operating requirements that may be reasonably anticipated and to provide sufficient liquidity to pay obligations as they come due. The investment policy does not limit the maximum maturity length of investments. The District held no investments other than non-negotiable certificates of deposit at May 31, 2020 and 2019.

**FOX METRO WATER RECLAMATION DISTRICT
OSWEGO, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)**

2. DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the District will not be able to recover the value of its investments that are in possession of an outside party. The District's investment policy does not address custodial credit risk for investments.

Concentration of Credit Risk

Concentration of credit risk is the risk that the District has a high percentage of its investments invested in one type of investment. The District places no limit on the amount that may be invested in any one issuer, stating only that the District diversify its investments to avoid unreasonable risks. The District held no investments other than non-negotiable certificates of deposit at May 31, 2020 and 2019.

3. ACCOUNTS RECEIVABLE

The aging of the accounts receivable balance at May 31, 2020 and 2019 is as follows:

| <u>Days</u> | <u>2020</u> | <u>2019</u> |
|--------------------------------------|----------------------------|----------------------------|
| 0-30 | \$ 1,330,513 | \$ 1,459,949 |
| 31-59 | 332,026 | 223,884 |
| 60-89 | 810,870 | 559,626 |
| 90 and over | 211,472 | 179,547 |
| Total accounts receivable | 2,684,881 | 2,423,006 |
| Allowance for uncollectible accounts | (147,920) | (331,481) |
| NET ACCOUNTS RECEIVABLE | <u>\$ 2,536,961</u> | <u>\$ 2,091,525</u> |

Included in the 90 and over balance are accounts against which liens have been filed by the District (\$68,055 and \$60,101 in 2020 and 2019, respectively), contracts for pretreatment and industrial fees which the District charges (\$113,099 and \$88,799 in 2020 and 2019, respectively), and related lien-filing fees and interest which the District charges (\$30,318 and \$30,647 in 2020 and 2019, respectively). The allowance for uncollectible accounts that is provided is management's estimation based upon the historical experience and other facts available at the time.

Unbilled user fee revenue has been recorded as of May 31, 2020 and 2019 in the amount of \$5,879,180 and \$5,762,805, respectively, to reflect wastewater treatment services performed but not billed as of those dates.

FOX METRO WATER RECLAMATION DISTRICT
OSWEGO, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

4. CAPITAL ASSETS

The District's property, plant, and equipment as of May 31, 2020 and 2019 are as follows:

| | Balances June 1 | Additions | Retirements | Balances May 31 |
|---------------------------------------------|-----------------------|----------------------|----------------------|-----------------------|
| <u>2020</u> | | | | |
| Capital assets not being depreciated | | | | |
| Land and land rights | \$ 10,714,894 | \$ 154,591 | \$ - | \$ 10,869,485 |
| Construction in progress | 18,022,638 | 15,428,419 | 18,416,903 | 15,034,154 |
| Total capital assets not being depreciated | <u>28,737,532</u> | <u>15,583,010</u> | <u>18,416,903</u> | <u>25,903,639</u> |
| Capital assets being depreciated | | | | |
| Buildings and improvements | 198,489,132 | - | 2,732,912 | 195,756,220 |
| Sanitary sewers and improvements | 136,772,645 | 18,334,995 | 271,795 | 154,835,845 |
| Plant machinery and equipment | 79,657,501 | 1,050,801 | 3,974,938 | 76,733,364 |
| Office furniture and equipment | 863,584 | - | 347,082 | 516,502 |
| Capitalized engineering and other costs | 4,399,386 | - | 87,407 | 4,311,979 |
| Vehicles | 1,620,565 | 376,937 | 191,221 | 1,806,281 |
| Total capital assets being depreciated | <u>421,802,813</u> | <u>19,762,733</u> | <u>7,605,355</u> | <u>433,960,191</u> |
| Less accumulated depreciation for | | | | |
| Buildings and improvements | 49,370,597 | 4,061,883 | 2,564,424 | 50,868,056 |
| Sanitary sewers and improvements | 56,237,286 | 3,745,549 | 246,987 | 59,735,848 |
| Plant machinery and equipment | 41,556,812 | 2,227,244 | 3,949,119 | 39,834,937 |
| Office furniture and equipment | 587,687 | 31,337 | 337,726 | 281,298 |
| Capitalized engineering and other costs | 3,254,681 | 104,870 | 72,653 | 3,286,898 |
| Vehicles | 1,238,783 | 137,286 | 185,145 | 1,190,924 |
| Total accumulated depreciation | <u>152,245,846</u> | <u>10,308,169</u> | <u>7,356,054</u> | <u>155,197,961</u> |
| Total capital assets being depreciated, net | <u>269,556,967</u> | <u>9,454,564</u> | <u>249,301</u> | <u>278,762,230</u> |
| CAPITAL ASSETS, NET | <u>\$ 298,294,499</u> | <u>\$ 25,037,574</u> | <u>\$ 18,666,204</u> | <u>\$ 304,665,869</u> |

FOX METRO WATER RECLAMATION DISTRICT
OSWEGO, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

4. CAPITAL ASSETS (Continued)

| | Balances June 1 | Additions | Retirements | Balances May 31 |
|---------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <u>2019</u> | | | | |
| Capital assets not being depreciated | | | | |
| Land and land rights | \$ 10,714,894 | \$ - | \$ - | \$ 10,714,894 |
| Construction in progress | 99,810,229 | 21,427,274 | 103,214,865 | 18,022,638 |
| Total capital assets not being depreciated | <u>110,525,123</u> | <u>21,427,274</u> | <u>103,214,865</u> | <u>28,737,532</u> |
| Capital assets being depreciated | | | | |
| Buildings and improvements | 97,161,508 | 101,327,624 | - | 198,489,132 |
| Sanitary sewers and improvements | 132,814,727 | 3,957,918 | - | 136,772,645 |
| Plant machinery and equipment | 80,529,246 | 496,978 | 1,368,723 | 79,657,501 |
| Office furniture and equipment | 863,584 | - | - | 863,584 |
| Capitalized engineering and other costs | 4,402,322 | 34,264 | 37,200 | 4,399,386 |
| Vehicles | 1,778,056 | 202,636 | 360,127 | 1,620,565 |
| Total capital assets being depreciated | <u>317,549,443</u> | <u>106,019,420</u> | <u>1,766,050</u> | <u>421,802,813</u> |
| Less accumulated depreciation for | | | | |
| Buildings and improvements | 47,242,711 | 2,127,886 | - | 49,370,597 |
| Sanitary sewers and improvements | 53,026,224 | 3,211,062 | - | 56,237,286 |
| Plant machinery and equipment | 40,239,856 | 2,685,679 | 1,368,723 | 41,556,812 |
| Office furniture and equipment | 538,920 | 48,767 | - | 587,687 |
| Capitalized engineering and other costs | 3,186,293 | 105,588 | 37,200 | 3,254,681 |
| Vehicles | 1,486,904 | 110,686 | 358,807 | 1,238,783 |
| Total accumulated depreciation | <u>145,720,908</u> | <u>8,289,668</u> | <u>1,764,730</u> | <u>152,245,846</u> |
| Total capital assets being depreciated, net | <u>171,828,535</u> | <u>97,729,752</u> | <u>1,320</u> | <u>269,556,967</u> |
| CAPITAL ASSETS, NET | <u>\$ 282,353,658</u> | <u>\$ 119,157,026</u> | <u>\$ 103,216,185</u> | <u>\$ 298,294,499</u> |

5. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; illnesses of employees; and natural disasters. General liability and property risks are covered through a public entity risk pool with transfer of risk. The District pays annual premiums to the risk pool. The District is not aware of any additional premiums owed to the risk pool as of May 31, 2020 and 2019 and for the prior two claim years.

FOX METRO WATER RECLAMATION DISTRICT
OSWEGO, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

5. RISK MANAGEMENT (Continued)

Workers' Compensation

The District is partially self-insured for workers' compensation coverage. At May 31, 2020 and 2019, the following insurance limits of coverage were in effect:

- a. Aggregate Excess Workers' Compensation Insurance: Limits \$2,000,000 three-year loss fund equal to the greater of 200% of the standards premium or the minimum term loan fund of \$825,000 whichever is greater.
- b. Special Excess Workers' Compensation and/or Employer's Liability Insurance: Illinois Workers' Compensation Act statutory maximum each occurrence, excess of a retention of \$250,000 each occurrence, employer's liability limited to \$500,000 each occurrence.
- c. First Dollar Accident Hazards Insurance: Five times basic annual earnings limited to \$225,000 per occurrence for accidental loss of life, limb, or sight. Aggregate limit equal to \$2,000,000.

The District employs an independent claims service company to review and recommend payment of claims under workers' compensation. The District had \$111,315 of workers' compensation open claims and estimated claims incurred but not reported as of May 31, 2020 and \$69,739 of workers' compensation open claims and estimated claims incurred but not reported as of May 31, 2019. These claims are based upon salary costs of individuals and incurred medical and legal fees and individual claims incurred but not reported as of May 31, 2020 and 2019.

Health Insurance

The District has entered into an agreement with a claims paying agent to which the District pays for insurance premiums and fees. Claims are processed by this agency but are paid directly from a District funded Health Insurance bank account. The agent pays insurance premiums for specific and aggregate policies, pays claims, and collects its fee for such services.

Under the self-insurance program, the District is responsible for the first \$85,000 of covered charges per individual. Maximum lifetime benefits per individual are unlimited. On an aggregate basis, for the policy year, the District has a self-insurance retention based upon the average monthly number of employees and dependents. At May 31, 2020 and 2019, this self-insurance retention was approximately \$1,825,074 and \$2,432,084, respectively. Covered charges in excess of the aggregate self-insurance retention are provided by insurance to the extent of \$1,000,000.

FOX METRO WATER RECLAMATION DISTRICT
OSWEGO, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

5. RISK MANAGEMENT (Continued)

Health Insurance (Continued)

The District's maximum exposure for the years ended May 31, 2020, 2019, and 2018 was calculated as follows:

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--------------------------------------------------------------------------------------------------------|----------------------------|----------------------------|----------------------------|
| Fixed costs | | | |
| Health and life coverage (specific, life, HFN fee, aggregate insurance, and administration cost) | \$ 163,181 | \$ 328,590 | \$ 737,429 |
| Variable costs (fund to pay claims) | <u>1,991,938</u> | <u>1,697,392</u> | <u>1,734,900</u> |
| TOTAL | <u><u>\$ 2,155,119</u></u> | <u><u>\$ 2,025,982</u></u> | <u><u>\$ 2,472,329</u></u> |

As of May 31, 2020, and 2019, claims outstanding and estimated as incurred but not reported were \$175,348 and \$114,102, respectively.

Claims Liabilities

The District is self-insured for all risks relative to health and workers' compensation insurance. The District has also purchased excess coverage policies to limit the District's exposure to these risks. An amount for incurred but not reported (IBNR) claims is recorded in the financial statements based upon actual experience.

The following is a reconciliation of changes in the liability for claims in the years ended May 31, 2020, 2019, and 2018:

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|------------------------------------|--------------------------|--------------------------|--------------------------|
| CLAIMS LIABILITIES - JUNE 1 | \$ 183,841 | \$ 183,358 | \$ 226,584 |
| Claims incurred and ceded | 2,110,090 | 1,801,861 | 1,745,247 |
| Claims paid | <u>(2,007,268)</u> | <u>(1,801,378)</u> | <u>(1,788,473)</u> |
| CLAIMS LIABILITIES - MAY 31 | <u><u>\$ 286,663</u></u> | <u><u>\$ 183,841</u></u> | <u><u>\$ 183,358</u></u> |

FOX METRO WATER RECLAMATION DISTRICT
OSWEGO, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

6. CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt of the District for the years ended May 31, 2020 and 2019:

| | Water Pollution Control Revolving Fund L17-1529 | Water Pollution Control Revolving Fund L17-2638 | Water Pollution Control Revolving Fund L17-2885 | Water Pollution Control Revolving Fund L17-2887 |
|-------------------------------|----------------------------------------------------------|----------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------------|
| NOTES PAYABLE AT MAY 31, 2018 | \$ 1,980,466 | \$ 9,708,494 | \$ 14,001,460 | \$ 9,234,399 |
| Issuances | - | - | - | - |
| Retirements | (548,143) | (738,484) | (967,137) | (584,687) |
| NOTES PAYABLE AT MAY 31, 2019 | 1,432,323 | 8,970,010 | 13,034,323 | 8,649,712 |
| Issuances | - | - | - | - |
| Retirements | (562,127) | (757,062) | (991,466) | (592,018) |
| NOTES PAYABLE AT MAY 31, 2020 | \$ 870,196 | \$ 8,212,948 | \$ 12,042,857 | \$ 8,057,694 |
| CURRENT PORTION | \$ 576,468 | \$ 385,643 | \$ 1,016,407 | \$ 599,442 |
| | Water Pollution Control Revolving Fund L17-3407 | Water Pollution Control Revolving Fund L17-3345 | Water Pollution Control Revolving Fund L17-4854* | Water Pollution Control Revolving Fund L17-5391 |
| NOTES PAYABLE AT MAY 31, 2018 | \$ 1,411,586 | \$ 1,518,384 | \$ 82,427,898 | \$ 498,483 |
| Issuances | - | - | 13,256,346 | 3,257,957 |
| Retirements | (89,377) | (84,913) | - | - |
| NOTES PAYABLE AT MAY 31, 2019 | 1,322,209 | 1,433,471 | 95,684,244 | 3,756,440 |
| Issuances | - | - | 1,126,019 | (11,335) |
| Retirements | (90,497) | (86,560) | (3,810,158) | (79,566) |
| NOTES PAYABLE AT MAY 31, 2020 | \$ 1,231,712 | \$ 1,346,911 | \$ 93,000,105 | \$ 3,665,539 |
| CURRENT PORTION | \$ 91,632 | \$ 88,239 | \$ 4,051,089 | \$ 162,189 |

FOX METRO WATER RECLAMATION DISTRICT
OSWEGO, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

6. CHANGES IN LONG-TERM DEBT (Continued)

| | Net Pension Liability | Total OPEB Liability | Total |
|-------------------------------|--------------------------|-------------------------|----------------------|
| NOTES PAYABLE AT MAY 31, 2018 | \$ 611,154 | \$ 6,705,982 | \$128,098,306 |
| Issuances | 7,093,622 | 396,980 | 24,004,905 |
| Retirements | - | - | (3,012,741) |
| NOTES PAYABLE AT MAY 31, 2019 | 7,704,776 | 7,102,962 | 149,090,470 |
| Issuances | - | 333,811 | 1,448,495 |
| Retirements | (4,952,245) | - | (11,921,699) |
| NOTES PAYABLE AT MAY 31, 2020 | <u>\$ 2,752,531</u> | <u>\$ 7,436,773</u> | <u>\$138,617,266</u> |
| CURRENT PORTION | <u>\$ -</u> | <u>\$ 358,770</u> | <u>\$ 7,329,879</u> |

* A final repayment schedule for the Water Pollution Control Revolving Fund L17-4854 was not available as of May 31, 2020. The current portion of L17-4854 and related debt service maturity schedule is based on a preliminary repayment schedule.

Long-term debt at May 31, 2020 and 2019 comprises of the following individual note obligations.

a. Water Pollution Control Revolving Fund Notes Payable

The District entered into a Water Pollution Control Revolving Fund loan agreement with the Illinois EPA in fiscal year 2000 (L17-1529) for the upgrade and expansion of the District Wastewater Treatment System. The note bears interest at 2.535% and matures on August 28, 2021. Simple interest is accrued on each loan disbursement on the day after the date of issuance. The loan agreement constitutes a sewerage revenue bond under the Sanitary District Act of 1917, as amended, the Sanitary District Revenue Bond Act, as amended, and the Local Government Debt Reform Act, as amended. The loan agreement was issued on a junior lien basis to the Sewerage Refunding Revenue Bond Series 1993 and 2002, and bonds which may be issued on a parity with the Series 1993 and 2002 Bonds. The loan agreement specifies special junior lien accounts into which revenues received from the use and operation of the sewerage system shall be set aside based upon the loan repayment schedule. The Sewerage Refunding Revenue Bond Series 2002 were retired on June 1, 2008.

FOX METRO WATER RECLAMATION DISTRICT
OSWEGO, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

6. CHANGES IN LONG-TERM DEBT (Continued)

a. Water Pollution Control Revolving Fund Notes Payable (Continued)

The District entered into a Water Pollution Control Revolving Fund loan agreement with the Illinois EPA in fiscal year 2008 (L17-2638) for the construction of a Temperature Phase Anaerobic Digestion System. The note bears interest at 2.50% and matures on August 15, 2029, with interest and principal payments due each February 15 and August 15 during the repayment period. Simple interest is accrued on each loan disbursement on the day after the date of issuance with construction period interest compounding into the principal of the loan. The loan agreement constitutes a sewerage revenue bond under the Sanitary District Act of 1917, as amended, the Sanitary District Revenue Bond Act, as amended, and the Local Government Debt Reform Act, as amended.

The District entered into a Water Pollution Control Revolving Fund loan agreement with the Illinois EPA in fiscal year 2009 (L17-2885) for the construction of a Excess Flow Pump Station and Disinfection Improvements. The note bears interest at 2.50% and matures on September 3, 2030, with interest and principal payments due each March 3 and September 3 during the repayment period. Simple interest is accrued on each loan disbursement on the day after the date of issuance with construction period interest compounding into the principal of the loan. The loan agreement constitutes a sewerage revenue bond under the Sanitary District Act of 1917, as amended, the Sanitary District Revenue Bond Act, as amended, and the Local Government Debt Reform Act, as amended.

The District entered into a Water Pollution Control Revolving Fund loan agreement with the Illinois EPA in fiscal year 2011 (L17-2887) for the construction of a Wet Weather Excess Flow Pump Station. The note bears interest at 1.25% and matures on April 7, 2032, with interest and principal payments due each April 7 and October 7 during the repayment period. Simple interest is accrued on each loan disbursement on the day after the date of issuance with construction period interest compounding into the principal of the loan. The loan agreement constitutes a sewerage revenue bond under the Sanitary District Act of 1917, as amended, the Sanitary District Revenue Bond Act, as amended, and the Local Government Debt Reform Act, as amended.

The District entered into a Water Pollution Control Revolving Fund loan agreement with the Illinois EPA in fiscal year 2012 (L17-3407) for the construction of the Cedar Glen subdivision sanitary sewer improvements. The note bears interest at 1.25% and matures on May 22, 2032, with interest and principal payments due each May 22 and November 22 during the repayment period. Simple interest is accrued on each loan disbursement on the day after the date of issuance with construction period interest compounding into the principal of the loan. The loan agreement constitutes a sewerage revenue bond under the Sanitary District Act of 1917, as amended, the Sanitary District Revenue Bond Act, as amended, and the Local Government Debt Reform Act, as amended.

FOX METRO WATER RECLAMATION DISTRICT
OSWEGO, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

6. CHANGES IN LONG-TERM DEBT (Continued)

a. Water Pollution Control Revolving Fund Notes Payable (Continued)

The District entered into a Water Pollution Control Revolving Fund loan agreement with the Illinois EPA in fiscal year 2014 (L17-3345) for the construction of the Montgomery/Sugar Grove interceptor extension. The note bears interest at 1.93% and matures on September 30, 2033, with interest and principal payments due each March 30 and September 30 during the repayment period. Simple interest is accrued on each loan disbursement on the day after the date of issuance with construction period interest compounding into the principal of the loan. The loan agreement constitutes a sewerage revenue bond under the Sanitary District Act of 1917, as amended, the Sanitary District Revenue Bond Act, as amended, and the Local Government Debt Reform Act, as amended.

The District entered into a Water Pollution Control Revolving Fund loan agreement with the Illinois EPA in fiscal year 2016 (L17-4854) for the construction of the South Wastewater Treatment Plant and an interceptor crossing the Waubensee River. The note bears interest at 1.86% and matures on February 4, 2039, with interest and principal payments due each August 4 and February 4 during the repayment period. Simple interest is accrued on each loan disbursement on the day after the date of issuance with construction period interest compounding into the principal of the loan. The loan agreement constitutes a sewerage revenue bond under the Sanitary District Act of 1917, as amended, the Sanitary District Revenue Bond Act, as amended, and the Local Government Debt Reform Act, as amended.

The District entered into a Water Pollution Control Revolving Fund loan agreement with the Illinois EPA in fiscal year 2018 (L17-5391) for the construction of the North Facility Improvements (Phase II Waubensee). The note bears interest at 1.56% and matures on August 26, 2039, with interest and principal payments due each February 26 and August 26 during the repayment period. Simple interest is accrued on each loan disbursement on the day after the date of issuance with construction period interest compounding into the principal of the loan. The loan agreement constitutes a sewerage revenue bond under the Sanitary District Act of 1917, as amended, the Sanitary District Revenue Bond Act, as amended, and the Local Government Debt Reform Act, as amended.

The loans are payable solely from and secured by a pledge of the net revenues (as defined in the loan agreements) of the sewerage system. The District also covenants that it will at all times establish and maintain reasonable fees, rates, and charges for the services of the sewerage system so that the revenues derived there from will be sufficient to provide funds to pay the principal and interest requirements of the loans.

FOX METRO WATER RECLAMATION DISTRICT
OSWEGO, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

6. CHANGES IN LONG-TERM DEBT (Continued)

a. Water Pollution Control Revolving Fund Notes Payable (Continued)

The Reserve Account shall be equal to the annual principal and interest payment funded within two years after the loan award. At May 31, 2020 and 2019, the balance of the account was \$9,264,131 and \$3,313,215, respectively.

b. Compensated Absences

The following is a summary of accrued compensated absences payable of the District for the years ended May 31, 2020 and 2019:

| | |
|----------------------------------------------|---------------------|
| COMPENSATED ABSENCES PAYABLE AT MAY 31, 2018 | \$ 1,084,100 |
| Issuances | 262,453 |
| Retirements | <u>(216,820)</u> |
| COMPENSATED ABSENCES PAYABLE AT MAY 31, 2019 | 1,129,733 |
| Issuances | 291,022 |
| Retirements | <u>(225,947)</u> |
| COMPENSATED ABSENCES PAYABLE AT MAY 31, 2020 | <u>\$ 1,194,808</u> |
| CURRENT PORTION | <u>\$ 238,962</u> |

c. The annual requirements to amortize to maturity debt outstanding as of May 31, 2020 are as follows:

| Fiscal Year Ending May 31, | Water Pollution Control Revolving Fund L17-1529 | | Water Pollution Control Revolving Fund L17-2638 | |
|-------------------------------------|-------------------------------------------------------|------------------|-------------------------------------------------------|---------------------|
| | Principal | Interest | Principal | Interest |
| 2021 | \$ 576,468 | \$ 18,429 | \$ 385,643 | \$ 102,662 |
| 2022 | 293,728 | 3,723 | 785,808 | 190,802 |
| 2023 | - | - | 805,576 | 171,034 |
| 2024 | - | - | 825,841 | 150,769 |
| 2025 | - | - | 846,616 | 129,994 |
| 2026 | - | - | 867,914 | 108,696 |
| 2027 | - | - | 889,747 | 86,862 |
| 2028 | - | - | 912,130 | 64,480 |
| 2029 | - | - | 935,076 | 41,534 |
| 2030 | - | - | 958,597 | 18,011 |
| TOTAL | <u>\$ 870,196</u> | <u>\$ 22,152</u> | <u>\$ 8,212,948</u> | <u>\$ 1,064,844</u> |

FOX METRO WATER RECLAMATION DISTRICT
OSWEGO, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

6. CHANGES IN LONG-TERM DEBT (Continued)

- c. The annual requirements to amortize to maturity debt outstanding as of May 31, 2020 are as follows (Continued):

| Fiscal Year Ending May 31, | Water Pollution Control Revolving Fund L17-2885 | | Water Pollution Control Revolving Fund L17-2887 | |
|-------------------------------------|-------------------------------------------------------|---------------------|-------------------------------------------------------|-------------------|
| | Principal | Interest | Principal | Interest |
| 2021 | \$ 1,016,407 | \$ 294,758 | \$ 599,442 | \$ 98,854 |
| 2022 | 1,041,976 | 269,189 | 606,958 | 91,337 |
| 2023 | 1,068,189 | 242,977 | 614,569 | 83,727 |
| 2024 | 1,095,060 | 216,106 | 622,275 | 76,020 |
| 2025 | 1,122,608 | 188,558 | 630,078 | 68,218 |
| 2026 | 1,150,848 | 160,317 | 637,978 | 60,317 |
| 2027 | 1,179,799 | 131,366 | 645,978 | 52,318 |
| 2028 | 1,209,479 | 101,687 | 654,078 | 44,218 |
| 2029 | 1,239,905 | 71,261 | 662,280 | 36,016 |
| 2030 | 1,271,096 | 40,070 | 670,584 | 27,712 |
| 2031 | 647,490 | 8,094 | 678,992 | 19,303 |
| 2032 | - | - | 687,506 | 10,789 |
| 2033 | - | - | 346,976 | 2,169 |
| TOTAL | \$ 12,042,857 | \$ 1,724,383 | \$ 8,057,694 | \$ 670,998 |

| Fiscal Year Ending May 31, | Water Pollution Control Revolving Fund L17-3407 | | Water Pollution Control Revolving Fund L17-3345 | |
|-------------------------------------|-------------------------------------------------------|-------------------|-------------------------------------------------------|-------------------|
| | Principal | Interest | Principal | Interest |
| 2021 | \$ 91,632 | \$ 15,111 | \$ 88,239 | \$ 25,572 |
| 2022 | 92,781 | 13,962 | 89,950 | 23,860 |
| 2023 | 93,944 | 12,799 | 91,695 | 22,116 |
| 2024 | 95,122 | 11,621 | 93,473 | 20,338 |
| 2025 | 96,315 | 10,428 | 95,286 | 18,525 |
| 2026 | 97,522 | 9,220 | 97,133 | 16,677 |
| 2027 | 98,745 | 7,997 | 99,017 | 14,793 |
| 2028 | 99,983 | 6,759 | 100,937 | 12,873 |
| 2029 | 101,237 | 5,505 | 102,895 | 10,916 |
| 2030 | 102,507 | 4,236 | 104,890 | 8,920 |
| 2031 | 103,792 | 2,951 | 106,925 | 6,886 |
| 2032 | 105,093 | 1,649 | 108,998 | 4,813 |
| 2033 | 53,039 | 331 | 111,112 | 2,699 |
| 2034 | - | - | 56,361 | 544 |
| TOTAL | \$ 1,231,712 | \$ 102,569 | \$ 1,346,911 | \$ 189,532 |

FOX METRO WATER RECLAMATION DISTRICT
OSWEGO, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

6. CHANGES IN LONG-TERM DEBT (Continued)

- c. The annual requirements to amortize to maturity debt outstanding as of May 31, 2020 are as follows (Continued):

| Fiscal Year Ending May 31, | Water Pollution Control Revolving Fund L17-4854 | | Water Pollution Control Revolving Fund L17-5391 | |
|-------------------------------------|-------------------------------------------------------|---------------------|-------------------------------------------------------|-------------------|
| | Principal | Interest | Principal | Interest |
| 2021 | \$ 4,051,089 | \$ 1,681,084 | \$ 162,189 | \$ 56,552 |
| 2022 | 4,164,984 | 1,620,349 | 164,729 | 54,012 |
| 2023 | 4,242,813 | 1,542,520 | 167,309 | 51,433 |
| 2024 | 4,322,096 | 1,463,237 | 169,929 | 48,812 |
| 2025 | 4,402,861 | 1,382,472 | 172,590 | 46,151 |
| 2026 | 4,485,135 | 1,300,198 | 175,293 | 43,448 |
| 2027 | 4,568,946 | 1,216,387 | 178,039 | 40,703 |
| 2028 | 4,654,324 | 1,131,009 | 180,827 | 37,915 |
| 2029 | 4,741,297 | 1,044,036 | 183,659 | 35,083 |
| 2030 | 4,829,895 | 955,438 | 186,535 | 32,207 |
| 2031 | 4,920,149 | 865,184 | 189,456 | 29,285 |
| 2032 | 5,012,089 | 773,244 | 192,423 | 26,318 |
| 2033 | 5,105,747 | 679,586 | 195,437 | 23,305 |
| 2034 | 5,201,156 | 584,177 | 198,498 | 20,244 |
| 2035 | 5,298,347 | 486,986 | 201,606 | 17,135 |
| 2036 | 5,397,355 | 387,978 | 204,763 | 13,978 |
| 2037 | 5,498,212 | 287,121 | 207,970 | 10,771 |
| 2038 | 5,600,955 | 184,378 | 211,227 | 7,514 |
| 2039 | 6,502,655 | 79,716 | 214,535 | 4,206 |
| 2040 | - | - | 108,525 | 847 |
| TOTAL | \$93,000,105 | \$17,665,100 | \$ 3,665,539 | \$ 599,919 |

**FOX METRO WATER RECLAMATION DISTRICT
OSWEGO, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)**

7. INTERGOVERNMENTAL AGREEMENTS

City of Aurora

On April 19, 2006, the City of Aurora (the City) entered into an agreement with the District to jointly construct a new sanitary sewer system for the City’s downtown area. The agreement specifies that the City will finance all construction costs of the system. The District will repay the City 50% of the costs on a 30-year schedule in line with the debt service schedule for the City’s Water and Sewer Revenue Bonds, Series 2006. Principal payments are due to the City on June 1 of each year beginning June 1, 2007, and interest payments are due semiannually on June 1 and December 1 of each year beginning December 1, 2006. During fiscal year 2016, the City refunded the underlying debt leading to a revised future payment schedule.

The constructed system subject to 50% repayment shall be titled in the name of the District, which will own 100%. The District agreed to be fully responsible for operation and maintenance of the system. In addition, the principal amount of the liability to be paid to the City is recorded in the statement of net position and has been accrued as a proportion of construction costs as incurred.

The liability is to be paid to the City each year as follows:

| Fiscal Year | Sanitary Sewer System | |
|-----------------------|-----------------------|---------------------|
| | Principal | Interest |
| 2021 | \$ 224,136 | \$ 92,708 |
| 2022 | 229,362 | 178,692 |
| 2023 | 239,870 | 171,811 |
| 2024 | 248,015 | 164,615 |
| 2025 | 256,300 | 157,174 |
| 2026-2030 | 1,433,701 | 662,238 |
| 2031-2035 | 1,769,147 | 384,060 |
| 2036-2040 | 827,549 | 50,021 |
| TOTAL PAYMENTS | \$ 5,228,080 | \$ 1,861,319 |

Waubonsee Community College

On June 15, 2005, the District entered into an agreement with Waubonsee Community College (the College) for the construction of a new sanitary sewer line. The agreement requires the District to remit to the College the Infrastructure Participation Fees associated with the new plant, with potential payments totaling \$3,521,000. The total payments to date as of May 31, 2020 and 2019 were \$686,006.

**FOX METRO WATER RECLAMATION DISTRICT
OSWEGO, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)**

8. COMMITMENTS

The District is currently involved with certain sewer system development and maintenance projects. Uncompleted contractual amounts on these projects, relating to the District and exclusive of amounts being incurred by developers and other governmental entities, totaled approximately \$12,585,340 and \$8,129,964 as of May 31, 2020 and 2019, respectively.

9. DEFINED BENEFIT PENSION PLAN

The District's defined benefit pension plan for regular employees provides retirement and disability benefits, postretirement increases, and death benefits to plan members and beneficiaries. The District's plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. 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 financial report that includes financial statements and supplementary information. That report may be obtained online at www.imrf.org.

Illinois Municipal Retirement Fund

Plan Administration

All employees hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members.

The plan is accounted for on the economic resources measurement focus and the accrual basis of accounting. Employer and employee contributions are recognized when earned in the year that the contributions are required. Benefits and refunds are recognized as an expense and liability when due and payable.

Plan Membership

At December 31, 2019, IMRF membership consisted of:

| | |
|------------------------------------------------------------------------|--------------------------|
| Inactive employees or their beneficiaries currently receiving benefits | 103 |
| Inactive employees entitled to but not yet receiving benefits | 22 |
| Active employees | <u>95</u> |
| TOTAL | <u><u>220</u></u> |

**FOX METRO WATER RECLAMATION DISTRICT
OSWEGO, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)**

9. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (Continued)

Plan Membership (Continued)

At December 31, 2018, IMRF membership consisted of:

| | |
|------------------------------------------------------------------------|--------------------------|
| Inactive employees or their beneficiaries currently receiving benefits | 93 |
| Inactive employees entitled to but not yet receiving benefits | 25 |
| Active employees | <u>88</u> |
| TOTAL | <u><u>206</u></u> |

Benefits Provided

IMRF provides two tiers of pension benefits. Employees hired prior to January 1, 2011, are eligible for Tier 1 benefits. For Tier 1 employees, pension benefits vest after eight years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

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 members who retire at age 62 (reduced benefits) or after age 67 (full benefits) with ten years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute.

Contributions

As set by statute, the District's regular plan members are required to contribute 4.50% 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 District's annual required contribution percentage for the fiscal years 2019 and 2020 was 12.83% and 11.28%. 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.

**FOX METRO WATER RECLAMATION DISTRICT
OSWEGO, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)**

9. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (Continued)

Actuarial Assumptions

The District's net pension liability was measured as of December 31, 2019 and 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of the same date using the following actuarial methods and assumptions.

| | | |
|--------------------------|-------------------|-------------------|
| Actuarial valuation date | December 31, 2018 | December 31, 2019 |
| Actuarial cost method | Entry-age normal | Entry-age normal |
| Assumptions | | |
| Inflation | 2.50% | 2.50% |
| Salary increases | 3.39% to 14.25% | 3.35% to 14.25% |
| Interest rate | 7.25% | 7.25% |
| Asset valuation method | Fair value | Fair value |

2019 and 2018 - For nondisabled 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 adjustment that were applied for nondisabled 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.

**FOX METRO WATER RECLAMATION DISTRICT
OSWEGO, ILLINOIS**
NOTES TO FINANCIAL STATEMENTS (Continued)

9. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (Continued)

Discount Rate

The discount rate used to measure the total pension liability at December 31, 2019 and 2018 was 7.25%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the IMRF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Change in the Net Pension Liability

December 31, 2018

| | (a) Total Pension Liability | (b) Plan Fiduciary Net Position | (a) - (b) Net Pension Liability |
|------------------------------------------------------|--------------------------------------|------------------------------------------|------------------------------------------|
| BALANCES AT JANUARY 1, 2018 | \$ 43,550,652 | \$ 42,939,498 | \$ 611,154 |
| Changes for the period | | | |
| Service cost | 626,720 | - | 626,720 |
| Interest | 3,210,473 | - | 3,210,473 |
| Difference between expected and actual experience | 1,330,113 | - | 1,330,113 |
| Changes in assumptions | 1,419,711 | - | 1,419,711 |
| Employer contributions | - | 945,437 | (945,437) |
| Employee contributions | - | 403,942 | (403,942) |
| Net investment income | - | (2,399,474) | 2,399,474 |
| Benefit payments and refunds | (2,115,418) | (2,115,418) | - |
| Administrative expense | - | - | - |
| Other (net transfer) | - | 543,490 | (543,490) |
| Net changes | 4,471,599 | (2,622,023) | 7,093,622 |
| BALANCES AT DECEMBER 31, 2018 | \$ 48,022,251 | \$ 40,317,475 | \$ 7,704,776 |

Changes in assumptions related to the discount rate were made in 2018.

**FOX METRO WATER RECLAMATION DISTRICT
OSWEGO, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)**

9. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (Continued)

Change in the Net Pension Liability (Continued)

December 31, 2019

| | (a) Total Pension Liability | (b) Plan Fiduciary Net Position | (a) - (b) Net Pension Liability |
|------------------------------------------------------|--------------------------------------|------------------------------------------|------------------------------------------|
| BALANCES AT JANUARY 1, 2019 | \$ 48,022,251 | \$ 40,317,475 | \$ 7,704,776 |
| Changes for the period | | | |
| Service cost | 732,945 | - | 732,945 |
| Interest | 3,419,548 | - | 3,419,548 |
| Difference between expected and actual experience | 69,517 | - | 69,517 |
| Changes in assumptions | - | - | - |
| Employer contributions | - | 819,609 | (819,609) |
| Employee contributions | - | 328,438 | (328,438) |
| Net investment income | - | 7,579,108 | (7,579,108) |
| Benefit payments and refunds | (2,445,092) | (2,445,092) | - |
| Administrative expense | - | - | - |
| Other (net transfer) | - | 447,100 | (447,100) |
| Net changes | 1,776,918 | 6,729,163 | (4,952,245) |
| BALANCES AT DECEMBER 31, 2019 | \$ 49,799,169 | \$ 47,046,638 | \$ 2,752,531 |

**FOX METRO WATER RECLAMATION DISTRICT
OSWEGO, ILLINOIS**
NOTES TO FINANCIAL STATEMENTS (Continued)

9. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended May 31, 2020, the District recognized pension expense of \$606,658. At May 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to IMRF from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|-------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| | <u> </u> | <u> </u> |
| Difference between expected and actual experience | \$ 909,330 | \$ 119,159 |
| Changes in assumption | 893,462 | 652,185 |
| District contributions subsequent to the measurement date | 376,271 | - |
| Net difference between projected and actual earnings on pension plan investments | <u> </u> | <u> </u> |
| | - | 1,910,798 |
| TOTAL | <u>\$ 2,179,063</u> | <u>\$ 2,682,142</u> |

\$376,271 reported as deferred outflows of resources resulting from district contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the reporting year ending May 31, 2021.

The remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to IMRF will be recognized in pension expense as follows:

| <u>Year Ending May 31,</u> | |
|--------------------------------|---------------------|
| 2021 | \$ (321,120) |
| 2022 | (361,318) |
| 2023 | 545,328 |
| 2024 | (745,777) |
| 2025 | <u>3,537</u> |
| TOTAL | <u>\$ (879,350)</u> |

**FOX METRO WATER RECLAMATION DISTRICT
OSWEGO, ILLINOIS**
NOTES TO FINANCIAL STATEMENTS (Continued)

9. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (Continued)

Discount Rate Sensitivity

December 31, 2019

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability of the District calculated using the discount rate of 7.25% as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate:

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|-------------------------------|------------------------|-------------------------------------|------------------------|
| Net pension liability (asset) | \$ 9,244,557 | \$ 2,752,531 | \$ (2,579,380) |

December 31, 2018

The following is a sensitivity analysis of the net pension liability (asset) to changes in the discount rate. The table below presents the net pension liability (asset) of the District calculated using the discount rate of 7.25% as well as what the District's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate:

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|-----------------------|------------------------|-------------------------------------|------------------------|
| Net pension liability | \$ 14,160,987 | \$ 7,704,776 | \$ 2,409,296 |

10. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

In addition to providing the pension benefits described, the District provides other postemployment health care benefits (OPEB) for retired employees through a single-employer defined benefit plan. The benefits, benefit levels, employee contributions, and employer contributions are governed by the District and can be amended by the District through its personnel manual, except for the implicit subsidy which is governed by the State Legislature and ILCS. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report.

**FOX METRO WATER RECLAMATION DISTRICT
OSWEGO, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)**

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Benefits Provided

The District provides postemployment health care and life insurance benefits to its retirees. To be eligible for implicit benefits, an employee must qualify for retirement under IMRF or meet COBRA requirements. Employees become eligible for explicit benefits at a rate of 3% of premiums per year of service. Employees receive 100% of premiums at a minimum age of 62 with 20 years of service.

All health care benefits are provided through the District’s self-insured employee health plan. The benefit levels are the same as those afforded to active employees. Benefits include general inpatient and outpatient medical services; mental, nervous, and substance abuse care; vision care; dental care; and prescriptions. The benefits are provided until age 65 or whenever Medicare coverage becomes available.

a. Membership

At May 31, 2019 and 2020, membership consisted of:

| | |
|----------------------------------------------------------------------|-------------------|
| Retirees and beneficiaries currently receiving benefits | 15 |
| Terminated employees entitled to benefits but not yet receiving them | - |
| Active employees | <u>91</u> |
| TOTAL | <u>106</u> |
| Participating employers | <u>1</u> |

b. Total OPEB Liability

The District’s total OPEB liability of \$7,436,773 and \$7,102,962 were measured as of May 31, 2020 and 2019, respectively, and were determined by actuarial valuations as of June 1, 2020 and June 1, 2018.

FOX METRO WATER RECLAMATION DISTRICT
OSWEGO, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

c. Actuarial Assumptions and Other Inputs

The total OPEB liability at May 31, 2020 and 2019, as determined by actuarial valuations as of June 1, 2020 and 2018, were determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

| Actuarial valuation date | June 1, 2020 | June 1, 2018 |
|-----------------------------|----------------------------------------|----------------------------------------|
| Actuarial cost method | Entry-age normal | Entry-age normal |
| Actuarial value of assets | Not applicable | Not applicable |
| Inflation | 3.00% | 3.00% |
| Salary increases | 4.00 % | 4.00 % |
| Discount rate | 2.63% | 3.05% |
| Healthcare cost trend rates | 4.50% to 5.00% Initial and Ultimate | 4.50% to 5.00% Initial and Ultimate |

**FOX METRO WATER RECLAMATION DISTRICT
OSWEGO, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)**

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

c. Actuarial Assumptions and Other Inputs (Continued)

The discount rate was based on the index rate for 20-year tax exempt general obligation municipal bonds rated AA or better at May 31, 2020 and 2019.

Mortality rates were based on RP-2014 Employee Mortality Table for both males and females with 2-dimensional, fully generational improvements using the MP-2017 Mortality Improvement Scale.

The actuarial assumptions used in the June 1, 2020 valuation are based on 10% participation assumed for Trustees and 100% for all other future retirees, with 80% electing spouse coverage for Trustees and 70% for non-Trustee employees. In the June 1, 2018 valuation it was the same assumptions, except for a 60% participation assumed for non-Trustee employees.

d. Changes in the Total OPEB Liability

| | <u>Total OPEB Liability</u> |
|--------------------------|---------------------------------|
| BALANCES AT JUNE 1, 2018 | <u>\$ 6,705,982</u> |
| Changes for the period | |
| Service cost | 308,294 |
| Interest | 228,052 |
| Changes in assumptions | 117,851 |
| Benefit payments | (257,788) |
| Other changes | <u>571</u> |
| Net changes | <u>396,980</u> |
| BALANCES AT MAY 31, 2019 | <u>\$ 7,102,962</u> |

**FOX METRO WATER RECLAMATION DISTRICT
OSWEGO, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)**

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

d. Changes in the Total OPEB Liability (Continued)

There were changes in assumptions related to the discount rate.

| | <u>Total OPEB Liability</u> |
|------------------------------------------------------|---------------------------------|
| BALANCES AT JUNE 1, 2019 | <u>\$ 7,102,962</u> |
| Changes for the period | |
| Service cost | 261,080 |
| Interest | 211,169 |
| Difference between expected and actual experience | (305,314) |
| Changes in assumptions | 493,723 |
| Benefit payments | (358,770) |
| Other changes | <u>31,923</u> |
| Net changes | <u>333,811</u> |
| BALANCES AT MAY 31, 2020 | <u>\$ 7,436,773</u> |

There were changes in assumptions related to the discount rate in 2019 and 2020.

e. Rate Sensitivity

May 31, 2020

The following is a sensitivity analysis of the total OPEB liability to changes in the discount rate and the healthcare cost trend rate. The table below presents the total OPEB liability of the District calculated using the discount rate of 2.63% as well as what the District total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.63%) or 1 percentage point higher (3.63%) than the current rate:

| | 1% Decrease (1.63%) | Current Discount Rate (2.63%) | 1% Increase (3.63%) |
|----------------------|------------------------|-------------------------------------|------------------------|
| Total OPEB liability | \$ 8,013,068 | \$ 7,436,773 | \$ 6,902,257 |

**FOX METRO WATER RECLAMATION DISTRICT
OSWEGO, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)**

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

e. Rate Sensitivity (Continued)

May 31, 2019

The following is a sensitivity analysis of the total OPEB liability to changes in the discount rate and the healthcare cost trend rate. The table below presents the total OPEB liability of the District calculated using the discount rate of 3.05% as well as what the District total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.05%) or 1 percentage point higher (4.05%) than the current rate:

| | 1% Decrease (2.05%) | Current Discount Rate (3.05%) | 1% Increase (4.05%) |
|----------------------|------------------------|-------------------------------------|------------------------|
| Total OPEB liability | \$ 7,660,607 | \$ 7,102,962 | \$ 6,581,863 |

May 31, 2020

The table below presents the total OPEB liability of the District calculated using the healthcare rate of 4.50% to 5.00% as well as what the District's total OPEB liability would be if it were calculated using a healthcare rate that is 1 percentage point lower (3.50% to 4.00%) or 1 percentage point higher (5.50% to 6.00%) than the current rate:

| | 1% Decrease (3.50% to 4.00%) | Current Healthcare Rate (4.50% to 5.00%) | 1% Increase (5.50% to 6.00%) |
|----------------------|------------------------------------|------------------------------------------------------|------------------------------------|
| Total OPEB liability | \$ 6,706,325 | \$ 7,436,773 | \$ 8,292,968 |

FOX METRO WATER RECLAMATION DISTRICT
OSWEGO, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

e. Rate Sensitivity (Continued)

May 31, 2019

The table below presents the total OPEB liability of the District calculated using the healthcare rate of 4.50% to 5.00% as well as what the District's total OPEB liability would be if it were calculated using a healthcare rate that is 1 percentage point lower (3.50% to 4.00%) or 1 percentage point higher (5.50% to 6.00%) than the current rate:

| | 1% Decrease (3.50% to 4.00%) | Current Healthcare Rate (4.50% to 5.00%) | 1% Increase (5.50% to 6.00%) |
|----------------------|------------------------------------|------------------------------------------------------|------------------------------------|
| Total OPEB liability | \$ 6,364,838 | \$ 7,102,962 | \$ 7,969,677 |

f. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended May 31, 2020, the District recognized OPEB expense of \$91,858. At May 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|----------------------------------------------------|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ - | \$ 1,561,434 |
| Changes in assumptions | 856,723 | 622,956 |
| TOTAL | \$ 856,723 | \$ 2,184,390 |

FOX METRO WATER RECLAMATION DISTRICT
OSWEGO, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

- f. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

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

| Year Ending May 31, | |
|------------------------|---------------------------|
| 2021 | \$ (205,337) |
| 2022 | (205,337) |
| 2023 | (205,337) |
| 2024 | (205,337) |
| 2025 | (205,337) |
| Thereafter | <u>(300,982)</u> |
| TOTAL | <u>\$ (1,327,667)</u> |

REQUIRED SUPPLEMENTARY INFORMATION

**FOX METRO WATER RECLAMATION DISTRICT
OSWEGO, ILLINOIS**

SCHEDULE OF CHANGES IN THE EMPLOYER'S
NET PENSION LIABILITY AND RELATED RATIOS
ILLINOIS MUNICIPAL RETIREMENT FUND

Last Five Calendar Years

| MEASUREMENT DATE DECEMBER 31, | 2015 | 2016 | 2017 | 2018 | 2019 |
|-------------------------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| TOTAL PENSION LIABILITY | | | | | |
| Service cost | \$ 611,734 | \$ 623,792 | \$ 649,378 | \$ 626,720 | \$ 732,945 |
| Interest | 2,945,960 | 3,078,963 | 3,194,524 | 3,210,473 | 3,419,548 |
| Changes of benefit terms | - | - | - | - | - |
| Differences between expected and actual experience | 224,422 | (100,244) | (197,873) | 1,330,113 | 69,517 |
| Changes of assumptions | 52,631 | (109,180) | (1,338,332) | 1,419,711 | - |
| Benefit payments, including refunds of member contributions | (1,922,014) | (2,098,151) | (2,052,012) | (2,115,418) | (2,445,092) |
| Net change in total pension liability | 1,912,733 | 1,395,180 | 255,685 | 4,471,599 | 1,776,918 |
| Total pension liability - beginning | 39,987,054 | 41,899,787 | 43,294,967 | 43,550,652 | 48,022,251 |
| TOTAL PENSION LIABILITY - ENDING | \$ 41,899,787 | \$ 43,294,967 | \$ 43,550,652 | \$ 48,022,251 | \$ 49,799,169 |
| PLAN FIDUCIARY NET POSITION | | | | | |
| Contributions - employer | \$ 868,666 | \$ 875,384 | \$ 1,832,333 | \$ 945,437 | \$ 819,609 |
| Contributions - member | 270,736 | 278,009 | 289,228 | 403,942 | 328,438 |
| Net investment income | 175,193 | 2,456,460 | 6,658,965 | (2,399,474) | 7,579,108 |
| Benefit payments, including refunds of member contributions | (1,922,014) | (2,098,151) | (2,052,012) | (2,115,418) | (2,445,092) |
| Other (net transfer) | 686,461 | 70,313 | (879,928) | 543,490 | 447,100 |
| Net change in plan fiduciary net position | 79,042 | 1,582,015 | 5,848,586 | (2,622,023) | 6,729,163 |
| Plan fiduciary net position - beginning | 35,429,855 | 35,508,897 | 37,090,912 | 42,939,498 | 40,317,475 |
| PLAN FIDUCIARY NET POSITION - ENDING | \$ 35,508,897 | \$ 37,090,912 | \$ 42,939,498 | \$ 40,317,475 | \$ 47,046,638 |
| EMPLOYER'S NET PENSION LIABILITY | \$ 6,390,890 | \$ 6,204,055 | \$ 611,154 | \$ 7,704,776 | \$ 2,752,531 |
| Plan fiduciary net position as a percentage of the total pension liability | 84.75% | 85.67% | 98.60% | 83.96% | 94.47% |
| Covered payroll | \$ 6,016,362 | \$ 6,177,988 | \$ 6,427,285 | \$ 7,485,647 | \$ 7,298,653 |
| Employer's net pension liability as a percentage of covered payroll | 106.23% | 100.42% | 9.51% | 102.93% | 37.71% |

In 2015, 2016, and 2018, there was a change in assumptions with respect to the discount rate.

In 2017, changes in assumptions related to price inflation, salary increases, retirement age, and mortality rates were made.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See independent auditor's report.)

**FOX METRO WATER RECLAMATION DISTRICT
OSWEGO, ILLINOIS**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND**

Last Five Fiscal Years

| FISCAL YEAR ENDING MAY 31, | 2016 | 2017 | 2018 | 2019 | 2020 |
|----------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Actuarially determined contribution | \$ 905,387 | \$ 944,380 | \$ 817,162 | \$ 994,904 | \$ 841,222 |
| Contributions in relation to the actuarially determined contribution | 905,387 | 944,380 | 817,162 | 994,904 | 841,222 |
| CONTRIBUTION DEFICIENCY (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | \$ 6,016,362 | \$ 6,913,945 | \$ 6,022,876 | \$ 7,757,301 | \$ 7,455,309 |
| Contributions as a percentage of covered payroll | 15.05% | 13.66% | 13.57% | 12.83% | 11.28% |

Notes to Required Supplementary Information

The District made an additional contribution of \$1,000,000 during the fiscal year ending May 31, 2017.

The information presented was determined as part of the actuarial valuations as of January 1 of the prior fiscal year. Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was entry-age normal; the amortization method was level percent of pay, closed, and the amortization period was 24 years (ten-year rolling period for nontaxing bodies); the asset valuation method was five-year smoothed market; and the significant actuarial assumptions were an investment rate of return at 7.50% annually, projected salary increases assumption of 3.35% to 14.25% compounded annually, and postretirement benefit increases of 3.50% compounded annually.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

**FOX METRO WATER RECLAMATION DISTRICT
OSWEGO, ILLINOIS**

SCHEDULE OF CHANGES IN THE EMPLOYER'S
TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFIT PLAN

Last Three Fiscal Years

| MEASUREMENT DATE MAY 31, | 2018 | 2019 | 2020 |
|-----------------------------------------------------------------------|---------------------|---------------------|---------------------|
| TOTAL OPEB LIABILITY | | | |
| Service cost | \$ 295,928 | \$ 308,294 | \$ 261,080 |
| Interest | 215,239 | 228,052 | 211,169 |
| Changes of benefit terms | 253,406 | - | - |
| Differences between expected and actual experience | (1,863,567) | - | (305,314) |
| Changes of assumptions | (477,738) | 117,851 | 493,723 |
| Benefit payments, including refunds of member contributions | (247,491) | (257,788) | (358,770) |
| Other changes | - | 571 | 31,923 |
| Net change in total OPEB liability | (1,824,223) | 396,980 | 333,811 |
| Total OPEB liability - beginning | 8,530,205 | 6,705,982 | 7,102,962 |
| TOTAL OPEB LIABILITY - ENDING | \$ 6,705,982 | \$ 7,102,962 | \$ 7,436,773 |
| Covered payroll | \$ 6,365,770 | \$ 6,365,770 | \$ 6,615,660 |
| Employer's total OPEB liability as a percentage of covered payroll | 105.34% | 111.58% | 112.41% |

For 2018, the following changes in assumptions were made: starting per capita costs, health care trend rates, and decrements were changed to those in the most recent IMRF pension plan valuation report. In addition, the election assumption for Trustees was changed to 10% and eligibility requirements for Trustees and dental benefits for non-Trustee retirees were changed to the current policy.

For the 2019, the following changes in assumptions were made: the discount rate was changed from 3.27% to 3.05%.

For the 2020, the following changes in assumptions were made: the discount rate was changed from 3.05% to 2.63% and updated mortality rates.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See independent auditor's report.)

SUPPLEMENTAL SCHEDULES

**FOX METRO WATER RECLAMATION DISTRICT
OSWEGO, ILLINOIS**

SCHEDULES OF CHANGES IN NET POSITION

For the Years Ended May 31, 2020 and 2019

| | Net Position | | | |
|---------------------------------------------------------------|-----------------------|---------------------|---------------------|----------------|
| | Net | Restricted | | |
| | Investment in | Under IEPA | Unrestricted | Total |
| | Capital Assets | Loan | | |
| | | Requirements | | |
| BALANCES, MAY 31, 2018 | \$ 155,923,803 | \$ 3,439,103 | \$ 28,926,849 | \$ 188,289,755 |
| Change in net position for the year ended May 31, 2018 | - | - | 11,673,397 | 11,673,397 |
| Interaccount transfers | | | | |
| Payment of bond principal, interest, and escrow amounts | - | (3,795,803) | 3,795,803 | - |
| Transfer of amounts in accordance with IEPA loan requirements | - | 3,669,915 | (3,669,915) | - |
| Transfer required to net investment in capital assets | 2,645,863 | - | (2,645,863) | - |
| BALANCES, MAY 31, 2019 | 158,569,666 | 3,313,215 | 38,080,271 | 199,963,152 |
| Change in net position for the year ended May 31, 2019 | - | - | 12,923,390 | 12,923,390 |
| Interaccount transfers | | | | |
| Payment of bond principal, interest, and escrow amounts | - | (9,401,653) | 9,401,653 | - |
| Transfer of amounts in accordance with IEPA loan requirements | - | 15,352,569 | (15,352,569) | - |
| Transfer required to net investment in capital assets | 12,440,160 | - | (12,440,160) | - |
| BALANCES, MAY 31, 2020 | \$ 171,009,826 | \$ 9,264,131 | \$ 32,612,585 | \$ 212,886,542 |

(See independent auditor's report.)

**FOX METRO WATER RECLAMATION DISTRICT
OSWEGO, ILLINOIS**

SCHEDULES OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL

For the Years Ended May 31, 2020 and 2019

| | 2020 | | | 2019 | | |
|-----------------------------------------------------|---------------|---------------|--------------|---------------|---------------|--------------|
| | Budget | Actual | Variance | Budget | Actual | Variance |
| OPERATING REVENUES | | | | | | |
| Wastewater treatment (user) charges | \$ 41,500,471 | \$ 43,165,852 | \$ 1,665,381 | \$ 39,686,620 | \$ 40,797,317 | \$ 1,110,697 |
| Connection fees | 2,376,000 | 2,316,450 | (59,550) | 2,400,000 | 2,544,886 | 144,886 |
| Sewer T.V. inspection charges | 12,000 | 34,286 | 22,286 | 6,000 | 74,099 | 68,099 |
| Montgomery pump station operation | 6,600 | 3,300 | (3,300) | 6,600 | 9,900 | 3,300 |
| Pretreatment recovery revenues | 230,000 | 122,434 | (107,566) | 220,000 | 286,188 | 66,188 |
| Lien processing fees | 1,800 | (420) | (2,220) | 3,600 | (866) | (4,466) |
| Total operating revenues | 44,126,871 | 45,641,902 | 1,515,031 | 42,322,820 | 43,711,524 | 1,388,704 |
| OPERATING EXPENSES EXCLUDING DEPRECIATION | | | | | | |
| Operations | | | | | | |
| Union and non-union salaries and wages | 5,652,606 | 5,994,848 | 342,242 | 5,669,800 | 6,332,276 | 662,476 |
| Pension (FICA and IMRF) | 899,194 | 1,122,938 | 223,744 | 1,193,400 | 1,285,539 | 92,139 |
| Training and development | 190,595 | 156,976 | (33,619) | 198,190 | 141,741 | (56,449) |
| Unemployment compensation | 19,000 | 15,287 | (3,713) | 18,000 | 11,941 | (6,059) |
| Electricity | 1,841,000 | 1,409,794 | (431,206) | 1,497,000 | 1,514,061 | 17,061 |
| Natural gas | 115,000 | 152,159 | 37,159 | 72,000 | 206,170 | 134,170 |
| Cost of solids removal | 424,000 | 261,158 | (162,842) | 420,400 | 284,352 | (136,048) |
| Chemical cost | 875,000 | 920,819 | 45,819 | 755,000 | 778,290 | 23,290 |
| Supplies and maintenance of sewer and lift stations | 1,233,400 | 735,352 | (498,048) | 1,318,800 | 863,306 | (455,494) |
| T.V. sewer inspection | 650,000 | 271,319 | (378,681) | 622,600 | 292,190 | (330,410) |
| Plant maintenance | 1,090,700 | 924,248 | (166,452) | 1,365,700 | 1,305,405 | (60,295) |
| Plant supplies | 223,562 | 165,683 | (57,879) | 205,600 | 235,340 | 29,740 |
| Instrumentation | 496,850 | 373,325 | (123,525) | 312,400 | 363,965 | 51,565 |
| Motor vehicle maintenance | 75,600 | 82,494 | 6,894 | 75,600 | 69,075 | (6,525) |
| Plant computer | 74,000 | 88,238 | 14,238 | 119,800 | 122,032 | 2,232 |
| Engineering fees | 3,500,000 | 1,035,327 | (2,464,673) | 4,600,000 | 1,378,975 | (3,221,025) |
| Miscellaneous capital expenses | 28,301,520 | 17,688,794 | (10,612,726) | 38,121,256 | 24,419,785 | (13,701,471) |
| Engineering supplies and equipment | 424,785 | 256,766 | (168,019) | 549,385 | 339,850 | (209,535) |
| Lab supplies and equipment | 171,020 | 160,559 | (10,461) | 224,300 | 149,656 | (74,644) |
| Lab - outside analysis | 155,700 | 102,009 | (53,691) | 10,500 | 900 | (9,600) |
| Total operations | 46,413,532 | 31,918,093 | (14,495,439) | 57,349,731 | 40,094,849 | (17,254,882) |

(This schedule is continued on the following pages.)

**FOX METRO WATER RECLAMATION DISTRICT
OSWEGO, ILLINOIS**

SCHEDULES OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL (Continued)

For the Years Ended May 31, 2020 and 2019

| | 2020 | | | 2019 | | |
|--------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Budget | Actual | Variance | Budget | Actual | Variance |
| OPERATING EXPENSES EXCLUDING DEPRECIATION (Continued) | | | | | | |
| Administration | | | | | | |
| Union and non-union salaries and wages | \$ 1,469,036 | \$ 1,638,706 | \$ 169,670 | \$ 1,361,800 | \$ 1,623,288 | \$ 261,488 |
| Pension (FICA and IMRF) | 240,432 | 309,116 | 68,684 | 285,000 | 313,713 | 28,713 |
| Insurance expense | 305,450 | 293,517 | (11,933) | 306,500 | 302,691 | (3,809) |
| Insurance claims and premiums | 2,520,000 | 2,434,903 | (85,097) | 2,790,000 | 2,219,683 | (570,317) |
| Attorney fees | 90,000 | 94,167 | 4,167 | 120,000 | 73,085 | (46,915) |
| Accounting and auditing | 50,000 | 51,096 | 1,096 | 115,000 | 71,666 | (43,334) |
| Administrative computer | 218,500 | 223,703 | 5,203 | 573,000 | 644,914 | 71,914 |
| Recorder fees | 2,200 | 2,699 | 499 | 4,200 | 1,640 | (2,560) |
| Postage | 192,000 | 236,204 | 44,204 | 160,000 | 173,415 | 13,415 |
| Telephone | 105,000 | 114,800 | 9,800 | 76,500 | 104,504 | 28,004 |
| Small claims court | 27,000 | 12,978 | (14,022) | 11,000 | 27,225 | 16,225 |
| Collection agency fees | 100,000 | 68,631 | (31,369) | 86,000 | 101,064 | 15,064 |
| Meter reading costs | 99,500 | 91,392 | (8,108) | 79,700 | 104,564 | 24,864 |
| Billing supplies | 50,000 | 48,642 | (1,358) | 45,500 | 33,461 | (12,039) |
| Office supplies and equipment | 46,250 | 50,322 | 4,072 | 7,200 | 11,502 | 4,302 |
| Publishing and printing | 33,000 | 37,503 | 4,503 | 23,000 | 24,392 | 1,392 |
| Payroll service | 24,000 | 22,650 | (1,350) | 20,400 | 26,305 | 5,905 |
| Office machine repair | 300,000 | 334,082 | 34,082 | 11,500 | - | (11,500) |
| District associations | 52,700 | 36,723 | (15,977) | 40,000 | 29,859 | (10,141) |
| Travel | - | - | - | 1,000 | 440 | (560) |
| Books and subscriptions | - | - | - | 1,800 | 2,034 | 234 |
| Real estate taxes | 25,000 | 4,919 | (20,081) | 40,000 | 20,395 | (19,605) |
| NPDES permit | - | - | - | 75,000 | 77,388 | 2,388 |
| Miscellaneous | 526,200 | 430,610 | (95,590) | 489,000 | 543,791 | 54,791 |
| Employee assistance program | 27,400 | 32,384 | 4,984 | 3,000 | 1,200 | (1,800) |
| Bad debt expense | 25,000 | - | (25,000) | - | 651 | 651 |
| Total administration | 6,528,668 | 6,569,747 | 41,079 | 6,726,100 | 6,532,870 | (193,230) |
| Total operating expenses | 52,942,200 | 38,487,840 | (14,454,360) | 64,075,831 | 46,627,719 | (17,448,112) |

(This schedule is continued on the following page.)

**FOX METRO WATER RECLAMATION DISTRICT
OSWEGO, ILLINOIS**

SCHEDULES OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL (Continued)

For the Years Ended May 31, 2020 and 2019

| | 2020 | | | 2019 | | |
|-------------------------------------------------|-----------------|---------------|---------------|-----------------|----------------|---------------|
| | Budget | Actual | Variance | Budget | Actual | Variance |
| OPERATING INCOME (LOSS) | \$ (8,815,329) | \$ 7,154,062 | \$ 15,969,391 | \$ (21,753,011) | \$ (2,916,195) | \$ 18,836,816 |
| NON-OPERATING REVENUES (EXPENSES) | | | | | | |
| Investment income | 403,600 | 719,833 | 316,233 | 157,900 | 705,525 | 547,625 |
| Gain (loss) on sale of capital assets | - | (249,301) | (249,301) | - | (1,320) | (1,320) |
| Bond requirement | (7,000,000) | (6,969,454) | 30,546 | (900,000) | (3,012,741) | (2,112,741) |
| IEPA loan proceeds | 5,000,000 | 1,114,684 | (3,885,316) | 21,500,000 | 16,514,303 | (4,985,697) |
| Replacement taxes | 240,000 | 394,655 | 154,655 | 235,000 | 360,537 | 125,537 |
| Annexation and related fees | 234,760 | 333,391 | 98,631 | 60,000 | 415,829 | 355,829 |
| Other revenue | 772,552 | 337,092 | (435,460) | 683,500 | 983,439 | 299,939 |
| Interest expense and fiscal charges | (2,340,800) | (2,713,435) | (372,635) | (1,434,000) | (3,857,753) | (2,423,753) |
| Total non-operating revenues (expenses) | (2,689,888) | (7,032,535) | (4,342,647) | 20,302,400 | 12,107,819 | (8,194,581) |
| CHANGE IN NET POSITION (BUDGETARY BASIS) | \$ (11,505,217) | \$ 121,527 | \$ 11,626,744 | \$ (1,450,611) | \$ 9,191,624 | \$ 10,642,235 |
| ADJUSTMENTS TO GAAP BASIS | | | | | | |
| Additions to capital assets | | 16,928,840 | | | 24,231,829 | |
| Bond requirement | | 6,969,454 | | | 3,012,741 | |
| IEPA loan proceeds | | (1,114,684) | | | (16,514,303) | |
| Depreciation | | (10,308,169) | | | (8,289,668) | |
| Pension expense | | 234,564 | | | 90,995 | |
| OPEB expense | | 91,858 | | | (49,821) | |
| Total Adjustments to GAAP Basis | | 12,801,863 | | | 2,481,773 | |
| CHANGE IN NET POSITION (GAAP BASIS) | | \$ 12,923,390 | | | \$ 11,673,397 | |

(See independent auditor's report.)

OTHER SUPPLEMENTAL INFORMATION

**FOX METRO WATER RECLAMATION DISTRICT
OSWEGO, ILLINOIS**

INSURANCE COVERAGE AND OTHER INFORMATION

May 31, 2020

| Company | Policy Number | Expiration Date | Coverage | Liability Limits |
|-------------------------------------------------|----------------------|------------------------|------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|
| Chubb Group of Insurance Companies | 35948073 | Dec-20 | Property | \$193,897,330 replacement value, flood \$5,000,000, earthquake \$5,000,000. |
| Illinois Counties Risk Management Trust (ICRMT) | R1-1000211-1819-01 | Dec-20 | General liability | \$1,000,000 each occurrence, \$3,000,000 annual aggregate, \$3,000,000 completed operations |
| Illinois Counties Risk Management Trust (ICRMT) | R1-1000211-1819-01 | Dec-20 | Auto liability | \$1,000,000 each accident, \$100,000 uninsured motorist, medical payments \$5,000/\$25,000 each person/accident |
| Illinois Counties Risk Management Trust (ICRMT) | R1-1000211-1819-01 | Dec-20 | Public officials liability | \$1,000,000 per claim |
| Illinois Counties Risk Management Trust (ICRMT) | R1-1000211-1819-01 | Dec-20 | Crime | \$500,000 blanket employee dishonesty |
| Illinois Counties Risk Management Trust (ICRMT) | R1-1000211-1819-01 | Dec-20 | Cyber liability | \$100,000 per claim |
| Illinois Counties Risk Management Trust (ICRMT) | R1-1000211-1819-01 | Dec-20 | Umbrella liability | \$9,000,000 sits over general, auto, and public officials liability |
| Lloyd's Illinois, Inc. | ESE00140022 | Dec-20 | Cyber liability | \$1,000,000 per claim |
| Safety National | SP 4057894 | Dec-20 | Workers' compensation, specific excess \$500,000 deductible | \$2,500,000 or as limited under Illinois state law |
| Unimerica | UNI-201990 | Jul-20 | Health benefit excess per employee and dependent (\$70,000 deductible) | \$5,000,000 lifetime per employee or dependent |
| Unimerica | UNI-201990 | Jul-20 | Life insurance | 1x Base Salary to \$125,000 Max/\$10,000 Min. \$25,000 Trustees, \$2,500 Spouse, \$1,000 Child 19-25. |

* Policies in effect for the fiscal year ended May 31, 2020 are shown above. All policies with an expiration date of December 2020 were renewed subsequent to year end and have an expiration date of December 2021.

(See independent auditor's report.)