

**FLAGG CREEK WATER
RECLAMATION DISTRICT
BURR RIDGE, ILLINOIS**

ANNUAL FINANCIAL REPORT
YEAR ENDED APRIL 30, 2024

FLAGG CREEK WATER RECLAMATION DISTRICT

TABLE OF CONTENTS

Year Ended April 30, 2024

	<u>Page(s)</u>
Independent Auditor's Report	1 – 3
Management's Discussion and Analysis	4 – 10
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position	11 – 12
Statement of Revenues, Expenses and Changes in Net Position	13
Statement of Cash Flows	14 – 15
Notes to Financial Statements	16 – 28
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Changes in Net Pension Liability and Related Ratios	29
Schedule of Employer Contributions	30
Schedule of Funding Progress Other Post-employment Benefits Plan	31
Schedule of Employer Contributions Other Post-employment Benefits Plan	32
Notes to Required Supplementary Information	33
SUPPLEMENTARY INFORMATION:	
Combining Statement of Net Position by Subfund	34 – 35
Combining Statement of Revenues, Expenses and Changes in Net Position by Subfund	36 – 37
Schedule of Revenues and Expenses – Budget to Actual for Sewerage and User Subfund	38 – 40

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
FLAGG CREEK WATER RECLAMATION DISTRICT
Burr Ridge, Illinois

Opinions

We have audited the accompanying financial statements of the business-type activities of **FLAGG CREEK WATER RECLAMATION DISTRICT** (the "District"), as of and for the year ended April 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of April 30, 2024, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for an audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter, as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



O'NEILL & GASPARDO, LLC
Mokena, Illinois
July 2, 2024

FLAGG CREEK WATER RECLAMATION DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Flagg Creek Water Reclamation District (the "District") we offer readers of the District's financial statements this narrative overview and analysis of the District's financial performance during the fiscal year ended April 30, 2024. We encourage readers to read this information in conjunction with the District's financial statements.

Financial Highlights

The District's total net position at April 30, 2024 was \$52,354,547, an increase of \$3,395,534 or 6.9% from April 30, 2023.

Operating revenues available to fund operating expenses increased by \$645,784 or 5.3% for the year ended April 30, 2024, from the prior fiscal year.

Operating expenses increased by \$269,278 or 3.7% for the year ended April 30, 2024, from the prior fiscal year.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements provide both long-term and short-term information about the District's overall status.

The statement of net position includes all of the District's assets, deferred outflows, liabilities and deferred inflows with the difference reported as net position. Increases and decreases in net position serve as a useful indicator of change in net position and whether the financial position of the District as a whole is improving or deteriorating.

The statement of revenues, expenses and changes in net position reports how the District's net position changed during the current fiscal year. All revenues and expenses are included regardless of when cash is received or paid.

The statement of cash flows reports the District's cash receipts, cash payments, and net changes in cash resulting from operations, investing, financing, and provides what cash was used for, and what was the change in the cash balance during the reporting period.

Supplementary Information

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Internally, the District maintains three separate governmental funds. Although these funds are maintained as governmental funds internally, all of the District's activities are considered business-type activities in the government-wide financial statements.

The District reports the following funds in the supplementary information:

Sewerage and User Fund - The Sewerage and User Fund (General Fund) is the general operating fund of the District. It is used to account for all financial resources except those accounted for in another fund. General operating expenses and the capital improvement costs that are not paid through other funds are paid from the General Fund. In addition, funds from the General Fund may be transferred to an applicable fund to cover their expenses.

Capital Improvements Fund - The Capital Improvements Fund is used to account for revenues and expenses that are for the expansion and major maintenance of the facilities.

State Fund IEPA - The State Fund IEPA accounts for transactions relating to capital improvement projects financed through the IEPA revolving loan program.

The District may use any unexpended funds to pay long-term debt and surpluses may also be transferred to the General Fund.

A budgetary comparison statement has been provided (as supplementary information) for the Sewerage and User Fund.

Financial Analysis

Condensed Statement of Net Position

	April 30, 2024	%	April 30, 2023	%	Change	%
Assets						
Current assets:						
Cash	\$ 13,760,765	18.5%	\$ 13,389,023	18.4%	\$ 371,742	2.8%
Certificates of deposit	3,750,000	5.0%	1,250,000	1.7%	2,500,000	200.0%
Annuities	42,415	0.1%	41,195	0.1%	1,220	3.0%
Receivables	1,412,968	1.9%	1,265,322	1.7%	147,646	11.7%
Prepaid expenses	174,202	0.2%	135,394	0.2%	38,808	28.7%
Total current assets	<u>19,140,350</u>	25.7%	<u>16,080,934</u>	22.2%	3,059,416	19.0%
Noncurrent assets:						
Certificates of deposit	750,000	1.0%	2,250,000	3.1%	(1,500,000)	-66.7%
Capital assets	50,817,957	68.3%	50,701,407	69.9%	116,550	0.2%
Net pension asset	1,060,470	1.4%	75,767	0.1%	984,703	1299.6%
Total noncurrent assets	<u>52,628,427</u>	70.7%	<u>53,027,174</u>	73.1%	(398,747)	-0.8%
Total assets	71,768,777	96.4%	69,108,108	95.2%	2,660,669	3.9%
Deferred outflows of resources	<u>2,655,426</u>	3.6%	<u>3,477,016</u>	4.8%	(821,590)	-23.6%
Total assets and deferred outflows of resources	<u>\$ 74,424,203</u>	100.0%	<u>\$ 72,585,124</u>	100.0%	\$ 1,839,079	2.5%
Liabilities						
Current liabilities:						
Accounts payable	\$ 5,060,285	22.9%	\$ 4,750,716	20.1%	\$ 309,569	6.5%
Accrued expenses	125,109	0.6%	103,133	0.4%	21,976	21.3%
Unearned revenues	111,096	0.5%	188,502	0.8%	(77,406)	-41.1%
Accrued compensated absences	254,691	1.2%	209,937	0.9%	44,754	21.3%
Notes payable	1,565,319	7.1%	1,542,597	6.5%	22,722	1.5%
Total current liabilities	<u>7,116,500</u>	32.2%	<u>6,794,885</u>	28.8%	321,615	4.7%
Noncurrent liabilities:						
Notes payable	<u>13,508,034</u>	61.2%	<u>15,073,353</u>	63.8%	(1,565,319)	-10.4%
Total noncurrent liabilities	<u>13,508,034</u>	61.2%	<u>15,073,353</u>	63.8%	(1,565,319)	-10.4%
Total liabilities	20,624,534	93.5%	21,868,238	92.6%	(1,243,704)	-5.7%
Deferred inflows of resources	<u>1,445,122</u>	6.5%	<u>1,757,873</u>	7.4%	(312,751)	-17.8%
Total liabilities and deferred inflows of resources	22,069,656	100.0%	23,626,111	100.0%	(1,556,455)	-6.6%
Net Position:						
Net invested in capital assets	35,744,605	68.3%	34,085,457	69.6%	1,659,148	4.9%
Restricted - debt service	1,795,113	3.4%	1,795,113	3.7%	-	0.0%
Unrestricted	<u>14,814,829</u>	28.3%	<u>13,078,443</u>	26.7%	1,736,386	13.3%
Total net position	<u>52,354,547</u>	100.0%	<u>48,959,013</u>	100.0%	3,395,534	6.9%
Total liabilities, deferred inflows of resources and net position	<u>\$ 74,424,203</u>		<u>\$ 72,585,124</u>		\$ 1,839,079	

- The District has eighteen (18) \$250,000 Certificates of Deposits (totaling \$4,500,000) at the year ended April 30, 2024. Maturity dates of Certificates of Deposits range from 12 to 24 months and have interest rates ranging from 4.50% to 5.30%.
- Net pension asset increased \$984,703 or 1,299.6% mainly due to investment income of \$1,829,472 exceeding payments of \$1,033,792 in the year ended April 30, 2024.
- Changes in deferred outflows and inflows were due to changes in projections (i.e., projected earnings on investments).

Net position:

- Net position may serve, over time, as a useful indicator of the District's financial position. The District's total net position at April 30, 2024 was \$52,354,547 an increase of \$3,395,534 or 6.9% from April 30, 2023.
- Net position reflects the District's investment in capital assets, less debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services, so they are not available for future spending. In addition, the resources needed to repay this debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.
- Restricted net assets of \$1,795,113 at April 30, 2024 represent amounts required to be segregated by Illinois EPA loan covenants.
- Unrestricted net assets of \$14,814,829 at April 30, 2024 can be used for any purpose.

Condensed Statement of Revenues, Expenses and Changes in Net Position

The statement of revenues, expenses and changes in net position shows the nature and source of the changes in net position. The following summarizes the revenue and expenses of the District's activities for the fiscal year ended April 30, 2024.

	May 1, 2023 to April 30, 2024	%	May 1, 2022 to April 30, 2023	%	Change	%
Revenues:						
Operating revenues	\$ 12,793,922	88.4%	\$ 12,148,138	97.1%	\$ 645,784	5.3%
Non-operating revenues (expenses)	1,209,091	8.4%	504,131	4.0%	704,960	139.8%
Net pension obligation - GASB 68	475,863	3.3%	(143,531)	-1.1%	619,394	-431.5%
Total revenues	<u>14,478,876</u>	100.0%	<u>12,508,738</u>	100.0%	1,970,138	15.8%
Expenses:						
Operating expenses	7,461,653	67.3%	7,192,375	66.4%	269,278	3.7%
Depreciation	3,621,689	32.7%	3,635,890	33.6%	(14,201)	-0.4%
Total expenses	<u>11,083,342</u>	100.0%	<u>10,828,265</u>	100.0%	255,077	2.4%
Change in net position	3,395,534		1,680,473		1,715,061	102.1%
Net position, beginning of year	<u>48,959,013</u>		<u>47,278,540</u>		1,680,473	3.6%
Net position, end of year	<u>\$ 52,354,547</u>		<u>\$ 48,959,013</u>		<u>\$ 3,395,534</u>	6.9%

- Non-operating revenues increased \$704,960 or 139.8% in the year ended April 30, 2024 due to contributed capital assets from the Illinois Tollway Authority of \$683,321 in the year ended April 30, 2024 and investment income increasing by \$450,824 from April 30, 2023 to April 30 2024.
- The increase in operating expenses of \$269,278 or 3.7% for the year ended April 30, 2024, from the prior fiscal year was due primarily to utility expenses for plant wastewater treatment increasing \$209,675 or 41.9%. This increase was due to rate increases during the fiscal year.
- Net pension obligation changed from an expense of \$143,531 in the year ended April 30, 2023 to income of \$475,863 in the year ended April 30, 2024 due to investment income increasing.

Budget

The District did not amend its budget during the fiscal year. Operating and non-operating revenue for the Sewerage and User Fund (General Fund) was \$13,516,708 for the year ended April 30, 2024, which was \$860,708 or 6.8% higher than budgeted. Expenses for this fund were \$7,459,327 for the year ended April 30, 2024, which was \$223,327 or 3.1% higher than budgeted.

Capital Assets

The District's investment in capital assets increased \$116,550 or 0.2% due to an increase of \$3,707,502 in capital assets being offset by increased accumulated depreciation of \$3,590,952 in the year ended April 30, 2024.

The following summarizes capital assets.

	April 30, 2024	April 30, 2023	Change	% Change
Land	\$ 475,226	\$ 456,695	\$ 18,531	4.1%
Construction in progress	2,651,360	759,831	1,891,529	248.9%
Lift stations	12,008,147	12,008,147	-	0.0%
Sewer improvements	36,197,342	35,130,933	1,066,409	3.0%
Buildings	16,587,056	16,518,805	68,251	0.4%
Office equipment	163,800	163,800	-	0.0%
Vehicles	1,072,873	1,059,104	13,769	1.3%
Plant improvements and equipment	63,979,177	63,330,164	649,013	1.0%
Total capital assets	<u>133,134,981</u>	<u>129,427,479</u>	<u>3,707,502</u>	<u>2.9%</u>
Less: accumulated depreciation	<u>(82,317,024)</u>	<u>(78,726,072)</u>	<u>(3,590,952)</u>	<u>4.6%</u>
Net capital assets	<u>\$ 50,817,957</u>	<u>\$ 50,701,407</u>	<u>\$ 116,550</u>	<u>0.2%</u>

Additional information regarding capital assets may be found in the accompanying notes to the financial statements.

Debt

The District had six (6) notes payable outstanding with a total balance of \$15,073,353 at April 30, 2024.

Additional information regarding debt may be found in the accompanying notes to the financial statements.

Economic Factors Bearing on the District's Future

At the time these financial statements were prepared, the District was aware of the following items that will have a significant financial impact on the District:

- The District owes the Illinois Tollway Authority (the "Tollway") \$4,376,024, which is recorded in accounts payable at April 30, 2024 and 2023 in the accompanying statement of net position. See the notes to the financial statements for more details. The amount is payable when the Tollway's construction project nears completion, which the District believes will be in 2024 or 2025.
- The District has started the "2023 John McElwain Plant Improvement Project" which is still in its design phase. The District is seeking funding through low interest loans from the State Water Pollution Control Loan Programs, as well as requested funds from potential Federal and State Programs primarily for energy efficiencies and environmental benefits. The Project is estimated to cost approximately \$20 to \$30 million.

This Project will change from current chemical treatment for removal of phosphorus to Biological Nutrient Removal (BNR) and will include multiple other plant improvements. It will decrease chemical costs and significantly reduce sludge disposal costs as well as result in reduced energy costs. This project will also ensure the District complies with all future anticipated more stringent discharge requirements. It is expected to commence in 2025 or 2026 and construction could go into 2029 to 2030 or later to complete.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. James Liubicich, Executive Director of the District.

FLAGG CREEK WATER RECLAMATION DISTRICT

STATEMENT OF NET POSITION

April 30, 2024

Current assets:	
Cash and cash equivalents	\$ 11,965,652
Restricted cash and cash equivalents	1,795,113
Certificates of deposit	3,750,000
Annuities	42,415
Receivables:	
Accounts, net of (\$21,000) allowance	708,206
Unbilled user fee revenue	688,947
Interest	15,815
Prepaid expenses	<u>174,202</u>
Total current assets	19,140,350
Noncurrent assets:	
Certificates of deposit	750,000
Capital assets not being depreciated	3,126,586
Capital assets being depreciated, net of accumulated depreciation	47,691,371
Net pension asset	<u>1,060,470</u>
Total noncurrent assets	<u>52,628,427</u>
Total assets	71,768,777
Deferred outflows of resources:	
Deferred amounts related to pension	<u>2,655,426</u>
Total assets and deferred outflows of resources	<u><u>\$ 74,424,203</u></u>

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FLAGG CREEK WATER RECLAMATION DISTRICT

STATEMENT OF NET POSITION

April 30, 2024

Continued from previous page...

Current liabilities:	
Accounts payable	\$ 5,060,285
Accrued salaries and payroll expenses	76,645
Accrued interest	48,464
Unearned revenues	111,096
Accrued compensated absences	254,691
Notes payable	<u>1,565,319</u>
Total current liabilities	7,116,500
Noncurrent liabilities:	
Notes payable	<u>13,508,034</u>
Total noncurrent liabilities	<u>13,508,034</u>
Total liabilities	20,624,534
Deferred inflows of resources:	
Deferred amounts related to pension	<u>1,445,122</u>
Net position:	
Net investment in capital assets	35,744,604
Restricted - debt service	1,795,113
Unrestricted	<u>14,814,830</u>
Total net position	<u>52,354,547</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 74,424,203</u>

FLAGG CREEK WATER RECLAMATION DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended April 30, 2024

Operating revenues:

Charges for services:

User fees	\$ 5,646,322
Sewer service fees	1,792,813
Service availability fees	4,754,189
Fines and other fees	229,667
Grease trap permits	40,645
Connection fees	265,523
Plan review fees	63,325
Scrap metal sales	1,438

Total operating revenues 12,793,922

Operating expenses:

Administration	2,173,003
Maintenance of sewers	891,742
Lift stations	174,809
Plant wastewater treatment	3,874,402
Laboratory	347,697

Total operating expenses 7,461,653

Operating income before depreciation and
net pension obligation - GASB 68

5,332,269

Depreciation

3,621,689

Net pension obligation - GASB 68

(475,863)

Operating income

2,186,443

Non-operating revenues (expenses):

Replacement taxes	230,926
Grants	7,819
Investment income	523,834
Gain on sale of capital assets	10,774
Contributed assets	683,321
Interest expense	<u>(247,583)</u>

Total non-operating revenues (expenses) 1,209,091

Change in net position

3,395,534

Net position:

Beginning of year 48,959,013

End of year \$ 52,354,547

FLAGG CREEK WATER RECLAMATION DISTRICT

STATEMENT OF CASH FLOWS

Year Ended April 30, 2024

Cash flows from operating activities:	
Receipts from customers	\$ 12,597,607
Payments to employees	(2,656,930)
Payments to suppliers	<u>(4,503,777)</u>
Net cash from operating activities	5,436,900
Cash flows from noncapital financing activities:	
Replacement taxes	230,926
Grants	<u>7,819</u>
Net cash from noncapital financing activities	238,745
Cash flows from capital and related financing activities:	
Purchase of capital assets	(3,054,918)
Proceeds from sale of capital assets	10,774
Principal paid on capital debt	(1,542,598)
Interest paid on capital debt	<u>(247,583)</u>
Net cash used in capital and related financing activities	(4,834,325)
Cash flows from investing activities:	
Purchase of certificates of deposit	(2,250,000)
Proceeds from certificates of deposit	1,250,000
Investment income received	<u>530,422</u>
Net cash used in investing activities	<u>(469,578)</u>
Net increase in cash and cash equivalents	371,742
Cash and cash equivalents, beginning of year	<u>13,389,023</u>
Cash and cash equivalents, end of year	<u>\$ 13,760,765</u>
Cash and cash equivalents	
Unrestricted	\$ 11,965,652
Restricted	<u>1,795,113</u>
Total cash and cash equivalents	<u>\$ 13,760,765</u>

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FLAGG CREEK WATER RECLAMATION DISTRICT

STATEMENT OF CASH FLOWS

Year Ended April 30, 2024

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Cash flows from operating activities:	
Operating income	\$ 2,186,443
Adjustments to reconcile operating income to net cash from operating activities	
Depreciation	3,621,689
Net pension obligation - GASB 68	(475,863)
Changes in assets and liabilities	
Accounts receivable	(87,457)
Unbilled user fee revenue	(67,997)
Prepaid expenses	(38,808)
Accounts payable	309,569
Accrued salaries and payroll expenses	26,908
Accrued interest	(4,932)
Unearned revenues	(77,406)
Accrued compensated absences	44,754
Total adjustments	<u>3,250,457</u>
Net cash from operating activities	<u><u>\$ 5,436,900</u></u>

FLAGG CREEK WATER RECLAMATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

April 30, 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FLAGG CREEK WATER RECLAMATION DISTRICT (the “District”) is an Illinois unit of local government organized under the Illinois Sanitary District Act of 1917. The Board of Trustees is appointed by state legislators who serve communities within District boundaries. The District was formed in 1926 with the first sewers and treatment works becoming operational in 1930. The District serves parts or all of the following Illinois communities: Burr Ridge, Clarendon Hills, Darien, Elmhurst, Hinsdale, Lombard, Oak Brook, Oakbrook Terrace, Villa Park, Westmont and Willowbrook, including some unincorporated areas within these communities.

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 funds, functions, programs, and activities under the control of the Board of Trustees of the District.

B. Basis of Presentation

The accounts of the District are Enterprise Funds. Enterprise Funds are proprietary type funds used to account for operations that are financed and operated in a manner similar to private business enterprises. 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.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows or resources, liabilities, deferred inflows of resources associated with the operation of this fund is included on the statement of net position. The proprietary fund’s statement of revenues, expenses and changes in net position presents 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 fund. Non-operating revenues/expenses are incidental to the operations of the fund.

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

FLAGG CREEK WATER RECLAMATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

April 30, 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of 30 days or less when purchased to be cash equivalents. Cash includes demand deposits and money market accounts with banks and cash on hand.

E. Receivables and Revenue Recognition

The District recognizes revenue in the period in which the service is provided. Unbilled receivables have been estimated at April 30, 2024.

F. Capital Assets

Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 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 fair value on the date contributed. Depreciation is computed under the straight-line method over the estimated useful lives of the assets.

The range of estimated useful lives by type of asset is as follows:

Lift stations	5 – 40 years
Sewer improvements	5 – 70 years
Buildings	5 – 40 years
Office equipment	5 – 7 years
Vehicles	5 – 10 years
Plant improvement and equipment	5 – 40 years

G. Compensated Absences

Compensated absences are recorded in the period in which they are earned by employees whether or not actually paid.

H. Deferred Outflows/Inflows of Resources

The statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then.

The statement of financial position also reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

The only deferred outflows and inflows of resources of the District are due to the District's participation in the Illinois Municipal Retirement Fund (IMRF).

FLAGG CREEK WATER RECLAMATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

April 30, 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

I. Net Position

Restricted net position represents amounts required to be segregated by Illinois EPA Loan covenants. Restricted net position is used for applicable expenses when it becomes unrestricted before unrestricted net position is used.

Net investment in capital assets represents the book value of capital assets less long-term debt principal outstanding issued to construct or acquire capital assets.

J. Estimates

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

NOTE 2. DEFINED BENEFIT PENSION PLAN

IMRF Plan Description

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

Benefits Provided

Employees hired *before* January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1½% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1st every year after retirement.

FLAGG CREEK WATER RECLAMATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

April 30, 2024

NOTE 2. DEFINED BENEFIT PENSION PLAN - Continued

Employees hired *on or after* January 1, 2011 are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 $\frac{2}{3}$ % of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1st every year after retirement, upon reaching age 67, by the *lesser* of:

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

Employees Covered by Benefit Terms

As of December 31, 2023, the following employees were covered by the benefit terms:

	<u>IMRF</u>
Retirees and beneficiaries currently receiving benefits	50
Inactive plan members entitled to but not yet receiving benefits	7
Active plan members	<u>28</u>
Total	<u><u>85</u></u>

Contributions

As set by statute, the District's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer's annual contribution rate for calendar year 2023 was 0.95%. For the calendar year ended December 31, 2023, the District contributed \$23,977 to the Plan. The District also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Asset

The District's net pension asset was measured as of December 31, 2023. The total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. The amount is included in noncurrent assets on the statement of net position.

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2023:

- The **Actuarial Cost Method** used was Entry Age Normal.

FLAGG CREEK WATER RECLAMATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

April 30, 2024

NOTE 2. DEFINED BENEFIT PENSION PLAN – Continued

- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 2.25%.
- **Salary Increases** were expected to be 2.85% to 13.75%, including inflation.
- The **Investment Rate of Return** was assumed to be 7.25%.
- **Projected Retirement Age** was from the Experience-based table of rates, specific to the type of eligibility condition. Last updated for the 2023 valuation pursuant to an experience study of the period 2020-2022.
- **Mortality** – For non-disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Retiree, Male (adjusted 108%) and Female (adjusted 106.4%) tables, and future mortality improvements projected using scale MP-2021. For disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Disabled Retiree, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2021. For active members, the Pub-2010, Amount-Weighted, below-median income, General, Employee, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2021.
- The **long-term expected rate of return** on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Portfolio target percentage</u>	<u>Long-term expected real rate of return</u>
Domestic equity	34.50%	5.00%
International equity	18.00%	6.35%
Fixed income	24.50%	4.75%
Real estate	10.50%	6.30%
Alternative investments	11.50%	6.05% - 8.65%
Cash equivalents	1.00%	3.80%
Total	<u>100.00%</u>	

No changes were made to the District’s assumptions.

FLAGG CREEK WATER RECLAMATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

April 30, 2024

NOTE 2. DEFINED BENEFIT PENSION PLAN – Continued

Single Discount Rate

A Single Discount Rate of 7.25% was used to measure the total pension liability. The projection of cash flow used to determine the Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

- The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
- The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on pension plan investments is 7.25%, the municipal bond rate is 3.77% and the resulting single discount rate is 7.25%.

Changes in the Net Pension Liability (Asset)

	Total pension liability (A)	Plan fiduciary net position (B)	Net pension liability (asset) (A) - (B)
Balances at December 31, 2022	\$ 16,225,767	\$ 16,301,534	\$ (75,767)
Changes for the year:			
Service cost	244,346	-	244,346
Interest on the total pension liability	1,147,751	-	1,147,751
Changes in benefit terms	-	-	-
Differences between expected and actual experience of the total pension liability	149,712	-	149,712
Changes of assumptions	(24,758)	-	(24,758)
Contributions - employer	-	23,977	(23,977)
Contributions - employee	-	113,573	(113,573)
Net investment income	-	1,829,472	(1,829,472)
Benefits payments, including refunds of employee contributions	(1,033,792)	(1,033,792)	-
Other (net transfers)	-	534,732	(534,732)
Net changes	483,259	1,467,962	(984,703)
Balances at December 31, 2023	<u>\$ 16,709,026</u>	<u>\$ 17,769,496</u>	<u>\$ (1,060,470)</u>

FLAGG CREEK WATER RECLAMATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

April 30, 2024

NOTE 2. DEFINED BENEFIT PENSION PLAN – Continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	1% lower (6.25%)	Current discount rate (7.25%)	1% higher (8.25%)
Net pension liability	\$ 18,545,572	\$ 16,709,026	\$ 15,232,739
Plan fiduciary net position	17,769,496	17,769,496	17,769,496
Net pension liability / (asset)	\$ 776,076	\$ (1,060,470)	\$ (2,536,757)

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

For the year ended April 30, 2024, the District recognized pension income of \$475,863. At April 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred amounts related to pensions	Deferred outflows of resources	Deferred inflows of resources
<i>Deferred amounts to be recognized in pension expense in future periods</i>		
Differences between expected and actual experience	\$ 171,260	\$ -
Changes of assumptions	-	(16,200)
Net difference between projected and actual earnings on pension plan investments	<u>2,422,350</u>	<u>(1,428,922)</u>
Total deferred amounts to be recognized in pension expense in future periods	2,593,610	(1,445,122)
<i>Pension contributions made subsequent to the measurement date</i>	<u>61,816</u>	<u>-</u>
Total deferred amounts related to pensions	<u>\$ 2,655,426</u>	<u>\$ (1,445,122)</u>

FLAGG CREEK WATER RECLAMATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

April 30, 2024

NOTE 2. DEFINED BENEFIT PENSION PLAN – Continued

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense in the future periods as follows:

<u>Year ending December 31,</u>	<u>Net deferred outflows of resources</u>
2024	\$ 229,832
2025	375,493
2026	675,307
2027	(132,144)
2028	-
Thereafter	-
Total	<u>\$ 1,148,488</u>

NOTE 3. CASH AND INVESTMENTS

Cash balances were as follows at April 30, 2024:

Petty cash	\$ 400
Fifth-Third Bank - checking account	2,984,476
Fifth-Third Bank - money market account	7,808,904
Old Second Bank - checking accounts	<u>2,966,985</u>
Total cash and investments	<u>\$ 13,760,765</u>

The District held eighteen (18) \$250,000 certificates of deposits (totaling \$4,500,000) at April 30, 2024. Maturity dates of certificates of deposits range from 12 to 24 months and have interest rates ranging from 4.50% to 5.30%.

The District is authorized 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 issues 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, 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 the Illinois Municipal Code and managed by a Board of

FLAGG CREEK WATER RECLAMATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

April 30, 2024

NOTE 3. CASH AND INVESTMENTS – Continued

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's deposits and investments are subject to the following risks:

- Custodial credit risk is the risk that the District will not be able to recover its deposits with financial institutions in the event of the failure of the financial institutions. The District requires pledging of collateral for all bank balances in excess of federal depository insurance. The District does have a formal investment policy.
- Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations, resulting in investment losses by the District.
- 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.
- Concentration of credit risk is the risk of loss attributed to funds being concentrated in a limited number of investments.

The District's deposits with financial institutions were categorized as follows at April 30, 2024:

Insured by federal depository insurance	\$ 5,000,000
Collateralized by securities held by the pledging financial institution's trust department or agent in the District's name	13,463,753
Collateralized by securities held by the pledging financial institution's trust department or agent, but not in the District's name	-
Uncollateralized	-
Total deposits with financial institutions	<u>\$ 18,463,753</u>

FLAGG CREEK WATER RECLAMATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

April 30, 2024

NOTE 4. CAPITAL ASSETS

Following is a summary of changes in the capital assets for the year ended April 30, 2024:

	<u>Beginning Balance</u>	<u>Additions & Transfers</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital assets, not depreciable:				
Land	\$ 456,695	\$ 18,531	\$ -	\$ 475,226
Construction in progress	759,831	1,891,529	-	2,651,360
Total capital assets, not depreciable	1,216,526	1,910,060	-	3,126,586
Capital assets, depreciable:				
Lift stations	12,008,147	-	-	12,008,147
Sewer improvements	35,130,933	1,066,409	-	36,197,342
Buildings	16,518,805	68,251	-	16,587,056
Office equipment	163,800	-	-	163,800
Vehicles	1,059,104	44,508	(30,739)	1,072,873
Plant improvement and equipment	63,330,164	649,013	-	63,979,177
Total capital assets, depreciable	128,210,953	1,828,181	(30,739)	130,008,395
Less accumulated depreciation for:				
Lift stations	(2,913,462)	(588,497)	-	(3,501,959)
Sewer improvements	(17,646,888)	(1,259,081)	-	(18,905,969)
Buildings	(14,092,009)	(180,966)	-	(14,272,975)
Office equipment	(142,692)	(12,683)	-	(155,375)
Vehicles	(855,300)	(71,921)	30,739	(896,482)
Plant improvement and equipment	(43,075,721)	(1,508,543)	-	(44,584,264)
Total accumulated depreciation	(78,726,072)	(3,621,691)	30,739	(82,317,024)
Total capital assets depreciable, net	49,484,881	(1,793,510)	-	47,691,371
Capital assets, net	<u>\$ 50,701,407</u>	<u>\$ 116,550</u>	<u>\$ -</u>	<u>\$ 50,817,957</u>

The Illinois Tollway Authority (the "Tollway") is in the process of widening Interstate 294. The Tollway is relocating certain sewer lines that interfere with the tollway expansion. In connection with the expansion, the District sold land to the tollway in 2020 for \$802,500. The charges to the District by the Tollway for relocating sewer lines, net of land sale to the tollway of \$802,500, will not exceed \$4,876,024, which is due in three (3) annual installments. The first installment of \$250,000 was paid in September 2020, second installment was paid in August 2021 and the final installment of \$4,376,024 will be paid as the project nears completion, which the District believes will be in 2024 or 2025. This amount is recorded in accounts payable at April 30, 2024.

FLAGG CREEK WATER RECLAMATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

April 30, 2024

NOTE 5. LONG-TERM LIABILITIES

Long-term liability activity for the year ended April 30, 2024 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Accrued compensated absences	\$ 209,937	\$ 44,754	\$ -	\$ 254,691	\$ 254,691
Notes payable	16,615,950	-	(1,542,597)	15,073,353	1,565,319
Total long term liabilities	<u>\$ 16,825,887</u>	<u>\$ 44,754</u>	<u>\$ (1,542,597)</u>	<u>\$ 15,328,044</u>	<u>\$ 1,820,010</u>

Notes payable consisted of the following at April 30, 2024:

- 1) In May 2011 the District's Water Pollution Control Revolving Fund loan agreement in the amount of \$7,796,000 with the Illinois Environmental Protection Agency (IEPA) for improvements to the District Wastewater Treatment Plant was finalized. Repayment of the loan is being made in semi-annual payments. The note bears interest at 2.50% and matures on April 28, 2031. The outstanding balance of this loan was \$3,174,415 at April 30, 2024.
- 2) In August 2011 the District's loan agreement in the amount of \$12,104,000 with the IEPA for improvements to the Clarendon Hills Sewer Improvement Project was finalized. This loan was funded by \$6,052,000 from the Water Pollution Control Center Loan Program and \$6,052,000 from the American Recovery and Reinvestment Act of 2009 (ARRA). Only one-half of the ARRA funds, \$3,026,000, needed to be repaid. Repayment of the loan is being made in semi-annual payments. The note bears interest at 0.00% and matures on June 1, 2031. The outstanding balance of this loan was \$3,404,250 at April 30, 2024.
- 3) In November 2011 the District's loan agreement in the amount of \$3,253,648 with the IEPA for improvements to the Clarendon Hills Sewer Improvement Project was finalized. Repayment of the loan is being made in semi-annual payments. The note bears interest at 1.25% and matures on November 29, 2031. The outstanding balance of this loan was \$1,399,451 at April 30, 2024.
- 4) In December 2012 the District's loan agreement in the amount of \$3,522,065 with the IEPA for improvements to the Tertiary Filter Project was finalized. Repayment of the loan is being made in semi-annual payments. The note bears interest at 2.295%, and matures on December 23, 2032. The outstanding balance of this loan was \$1,821,000 at April 30, 2024.
- 5) In August 2016 the District's loan agreement in the amount of \$3,351,192 with the IEPA for construction of the Meyers Road Lift Station Project was finalized. Repayment of the loan is being made in semi-annual payments. The note bears interest at 2.21% and matures on February 13, 2036. The outstanding balance of this loan was \$2,236,616 at April 30, 2024.

FLAGG CREEK WATER RECLAMATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

April 30, 2024

NOTE 5. LONG-TERM LIABILITIES – Continued

6) In August 2018 the District's loan agreement in the amount of \$3,771,874 with the IEPA for Phosphorus Removal Project was finalized. Repayment of the loan is being made in semi-annual payments. The note bears interest at 1.56% and matures on June 28, 2039. The outstanding balance of this loan was \$3,037,621 at April 30, 2024.

Minimum future payments for the notes payable are as follows at April 30, 2024.

Fiscal year ending April 30th	Principal	Interest	Total
2025	\$ 1,565,319	\$ 229,692	\$ 1,795,011
2026	1,588,845	206,368	1,795,213
2027	1,612,584	182,528	1,795,112
2028	1,636,952	158,161	1,795,113
2029	1,661,855	133,258	1,795,113
2030-2034	5,430,403	325,130	5,755,533
2035-2039	1,467,559	65,778	1,533,337
2040-2044	109,835	857	110,692
Total	<u>\$ 15,073,352</u>	<u>\$ 1,301,772</u>	<u>\$ 16,375,124</u>

NOTE 6. OTHER POST-EMPLOYMENT BENEFITS

The District provided other post-employment health care benefits (OPEB) for retired employees through a single employer defined benefit plan until December 31, 2013, when the plan was terminated. There is no post employment benefit liability at April 30, 2024.

The District evaluated its potential implicit subsidy for other post-employment benefits liability. The District provides continued health insurance coverage at the active employer rate to all eligible employees in accordance with Illinois statutes, which creates an implicit subsidy of retiree health insurance. Former employees who choose to retain their rights to health insurance through the District are required to pay 100% of the current premium. However, no former employees have chosen to stay in the District's health insurance plan upon the termination of the explicit subsidy. Therefore, there has been no utilization, so there is no implicit subsidy to calculate. Therefore, the District has not recorded any post-employment benefit liability as of April 30, 2024.

FLAGG CREEK WATER RECLAMATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

April 30, 2024

NOTE 7. RISK OF LOSS

The District is exposed to various risks of loss through property ownership, employee injury, liability of employees, actions of elected officials and other risks. The District purchased commercial insurance policies to overcome these risks. Claims have not exceeded coverage in the last three years.

NOTE 8. CONTRACTUAL COMMITMENTS

The District entered into contracts with six construction companies for services to be provided primarily after April 30, 2024.

Project Number	Project	Contract Start Date	Contract Amount (a)	Amount Paid (b)	Amount Outstanding (a) - (b)
2019-E	2023 Plant Improvement Project Engineering Design	5/5/2022	\$ 818,005	\$ 780,416	\$ 37,589
2021-D	Harger Road Lift Station	4/5/2023	1,048,000	1,037,370	10,630
2021-E	Ginger Creek South Lift Station	2/29/2024	647,130	-	647,130
2023-B	Ginger North Force Main	8/24/2023	338,315	312,653	25,662
2024-B	Intermediate Pump Station #2 & #3	4/26/2024	600,000	-	600,000
N/A	Sewer Lining Contract Extension Option	3/29/2024	564,370	-	564,370
			<u>\$ 4,015,820</u>	<u>\$ 2,130,439</u>	<u>\$ 1,885,381</u>

NOTE 9. SUBSEQUENT EVENTS

The District has evaluated events subsequent to April 30, 2024 for possible adjustment or disclosure to the accompanying financial statements. This evaluation was done through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

***REQUIRED
SUPPLEMENTARY INFORMATION***

FLAGG CREEK WATER RECLAMATION DISTRICT

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

April 30, 2024

Calendar year ended December 31,	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability:									
Service cost	\$ 244,346	\$ 231,166	\$ 231,843	\$ 260,413	\$ 317,941	\$ 297,241	\$ 317,399	\$ 312,292	\$ 312,359
Interest on total pension liability	1,147,751	1,104,642	1,072,948	1,035,208	963,835	907,520	910,011	857,738	819,447
Change in benefit terms	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience of total pension liability	149,712	243,579	52,900	162,352	491,687	261,245	(299,258)	28,881	(181,321)
Changes of assumptions	(24,758)	-	-	(77,827)	-	365,264	(401,918)	(14,566)	13,709
Benefit payments, including refunds of employee contributions	(1,033,792)	(948,943)	(891,455)	(799,167)	(721,317)	(573,913)	(524,823)	(485,550)	(391,156)
Net change in total pension liability	483,259	630,444	466,236	580,979	1,052,146	1,257,357	1,411	698,795	573,038
Total pension liability - beginning	16,225,767	15,595,323	15,129,087	14,548,108	13,495,962	12,238,605	12,237,194	11,538,399	10,965,361
Total pension liability - ending (A)	\$ 16,709,026	\$ 16,225,767	\$ 15,595,323	\$ 15,129,087	\$ 14,548,108	\$ 13,495,962	\$ 12,238,605	\$ 12,237,194	\$ 11,538,399
Plan fiduciary net position:									
Contributions - employer	\$ 23,977	\$ 104,330	\$ 164,691	\$ 170,603	\$ 346,121	\$ 240,524	\$ 462,438	\$ 483,827	\$ 479,708
Contributions - employee	113,573	110,467	106,481	107,074	115,504	126,149	126,850	124,729	121,495
Net investment income	1,829,472	(2,640,631)	2,917,367	2,209,282	2,373,200	(731,752)	2,054,177	708,965	52,814
Benefit payments, including refunds of employee contributions	(1,033,792)	(948,943)	(891,455)	(799,167)	(721,317)	(573,913)	(524,823)	(485,550)	(391,156)
Other (net transfer)	534,732	91,046	149,866	273,880	272,238	247,204	(207,847)	178,738	(159,394)
Net change in plan fiduciary net position	1,467,962	(3,283,731)	2,446,950	1,961,672	2,385,746	(691,788)	1,910,795	1,010,709	103,467
Plan fiduciary net position - beginning	16,301,534	19,585,265	17,138,315	15,176,643	12,790,897	13,482,685	11,571,890	10,561,181	10,457,714
Plan fiduciary net position - ending (B)	\$ 17,769,496	\$ 16,301,534	\$ 19,585,265	\$ 17,138,315	\$ 15,176,643	\$ 12,790,897	\$ 13,482,685	\$ 11,571,890	\$ 10,561,181
Net pension liability (asset) - ending (A) - (B)	\$ (1,060,470)	\$ (75,767)	\$ (3,989,942)	\$ (2,009,228)	\$ (628,535)	\$ 705,065	\$ (1,244,080)	\$ 665,304	\$ 977,218
Plan fiduciary net position as a percentage of the total pension liability	106.35%	100.47%	125.58%	113.28%	104.32%	94.78%	110.17%	94.56%	91.53%
Covered valuation payroll	\$ 2,523,847	\$ 2,454,822	\$ 2,366,248	\$ 2,379,418	\$ 2,578,427	\$ 2,803,314	2,818,883	\$ 2,771,744	\$ 2,699,878
Net pension liability as a percentage of covered valuation payroll	-42.02%	-3.09%	-168.62%	-84.44%	-24.38%	25.15%	-44.13%	24.00%	36.19%

Notes to schedule:

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

FLAGG CREEK WATER RECLAMATION DISTRICT

SCHEDULE OF EMPLOYER CONTRIBUTIONS

April 30, 2024

Calendar year ended December 31,	Actuarially determined contribution (a)	Actual contribution (b)	Contribution deficiency (excess) (a-b)	Covered valuation payroll (c)	Actual contribution as a percentage of covered valuation payroll (b/c)
2023	\$ 23,977	\$ 23,977	\$ -	\$ 2,523,847	0.95%
2022	104,330	104,330	-	2,454,822	4.25%
2021	164,691	164,691	-	2,366,248	6.96%
2020	170,604	170,603	1	2,379,418	7.17%
2019	130,984	346,121	(215,137)	2,578,427	13.42%
2018	240,524	240,524	-	2,803,314	8.58%
2017	262,438	462,438	(200,000)	2,818,883	16.41%
2016	283,827	483,827	(200,000)	2,771,744	17.46%
2015	279,707	479,708	(200,001)	2,699,878	17.77%

FLAGG CREEK WATER RECLAMATION DISTRICT

SCHEDULE OF FUNDING PROGRESS OTHER POST-EMPLOYMENT BENEFITS PLAN
 April 30, 2024

Actuarial valuation date April 30	(1) Actuarial value of assets	(2) Actuarial accrued liability (AAL) entry age	(3) Funded ratio (1) / (2)	(4) Unfunded AAL (2) - (1)	(5) Covered payroll	UAAAL as a percentage of covered payroll (4) / (5)
2009	\$ -	\$ 2,168,671	0.00%	\$ 2,168,671	N/A	N/A
2012	-	3,519,459	0.00%	3,519,459	N/A	N/A

GASB requires triennial valuations to be performed.
 The District terminated its other post-employment benefits plan during the fiscal year ended April 30, 2014.

FLAGG CREEK WATER RECLAMATION DISTRICT

SCHEDULE OF EMPLOYER CONTRIBUTIONS OTHER POST-EMPLOYMENT BENEFITS PLAN

April 30, 2024

<u>Year ended April 30</u>	<u>Employer contributions</u>	<u>Annual required contribution (ARC)</u>	<u>Percentage contributed</u>
2013	\$ 40,708	\$ 541,275	7.52%
2014	7,992	541,275	1.48

The District terminated its other post-employment benefits plan during the fiscal year ended April 30, 2014.

FLAGG CREEK WATER RECLAMATION DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

April 30, 2024

NOTE 1. SCHEDULE OF EMPLOYER CONTRIBUTION

*Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2023 Contribution Rate**

Valuation Date:

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

Methods and Assumptions Used to Determine 2023 Contribution Rates

<i>Actuarial Cost Method:</i>	Aggregate entry age normal
<i>Amortization Method:</i>	Level percentage of payroll, closed
<i>Remaining Amortization Period:</i>	10-year rolling period.
<i>Asset Valuation Method:</i>	5-year smoothed market; 20% corridor
<i>Wage Growth:</i>	2.75%
<i>Price Inflation:</i>	2.25%
<i>Salary Increases:</i>	2.75% to 13.75%, including inflation
<i>Investment Rate of Return:</i>	7.25%
<i>Retirement Age:</i>	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2020 valuation pursuant to an experience study of the period 2017-2019.
<i>Mortality:</i>	For non-disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Retiree, Male (adjusted 106%) and Female (adjusted 105%) tables, and future mortality improvements projected using scale MP-2020. For disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Disabled Retiree, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020. For active members, the Pub-2010, Amount-Weighted, below-median income, General, Employee, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020.

Other Information:

Notes There were no benefit changes during the year.

*Based on Valuation Assumptions used in the December 31, 2021 actuarial valuation.

SUPPLEMENTARY INFORMATION

FLAGG CREEK WATER RECLAMATION DISTRICT

COMBINING STATEMENT OF NET POSITION BY SUBFUND

April 30, 2024

	<u>Sewerage and User</u>	<u>Capital Improv.</u>	<u>State Fund IEPA</u>	<u>Total</u>
Current assets:				
Cash and cash equivalents	\$ 2,984,876	\$ 8,829,822	\$ 150,954	\$ 11,965,652
Restricted cash and cash equivalents	-	-	1,795,113	1,795,113
Certificates of deposit	-	3,750,000	-	3,750,000
Annuities	42,415	-	-	42,415
Receivables:				
Accounts, net of (\$21,000) allowance	708,206	-	-	708,206
Unbilled user fee revenue	688,947	-	-	688,947
Interest	-	15,815	-	15,815
Prepaid expenses	174,202	-	-	174,202
Total current assets	<u>4,598,646</u>	<u>12,595,637</u>	<u>1,946,067</u>	<u>19,140,350</u>
Noncurrent assets:				
Certificates of deposit	-	750,000	-	750,000
Capital assets not being depreciated	475,226	2,651,360	-	3,126,586
Capital assets being depreciated, net of accumulated depreciation	47,691,371	-	-	47,691,371
Net pension asset	1,060,470	-	-	1,060,470
Total noncurrent assets	<u>49,227,067</u>	<u>3,401,360</u>	<u>-</u>	<u>52,628,427</u>
Deferred outflows of resources:				
Deferred amounts related to pension	2,655,426	-	-	2,655,426
Total assets and deferred outflows of resources	<u>\$ 56,481,139</u>	<u>\$ 15,996,997</u>	<u>\$ 1,946,067</u>	<u>\$ 74,424,203</u>

Continued on next page ...

FLAGG CREEK WATER RECLAMATION DISTRICT

COMBINING STATEMENT OF NET POSITION BY SUBFUND

April 30, 2024

Continued from previous page...

	Sewerage and User	Capital Improv.	State Fund IEPA	Total
Current liabilities:				
Accounts payable	\$ 426,876	\$ 4,633,409	\$ -	\$ 5,060,285
Accrued salaries and payroll expenses	76,645	-	-	76,645
Accrued interest	-	-	48,464	48,464
Unearned revenues	20,650	90,446	-	111,096
Accrued compensated absences	254,691	-	-	254,691
Notes payable	-	-	1,565,319	1,565,319
Total current liabilities	778,862	4,723,855	1,613,783	7,116,500
Noncurrent liabilities:				
Notes payable	-	-	13,508,034	13,508,034
Total noncurrent liabilities	-	-	13,508,034	13,508,034
Total liabilities	778,862	4,723,855	15,121,817	20,624,534
Deferred inflows of resources:				
Deferred amounts related to pension	1,445,122	-	-	1,445,122
Net position:				
Net investment in capital assets	48,166,597	2,651,360	(15,073,353)	35,744,604
Restricted - debt service	-	-	1,795,113	1,795,113
Unrestricted	6,090,558	8,621,782	102,490	14,814,830
Total net position	54,257,155	11,273,142	(13,175,750)	52,354,547
Total liabilities, deferred inflows of resources and net position	<u>\$ 56,481,139</u>	<u>\$ 15,996,997</u>	<u>\$ 1,946,067</u>	<u>\$ 74,424,203</u>

FLAGG CREEK WATER RECLAMATION DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY SUBFUND

Year Ended April 30, 2024

	Sewerage and User	Capital Improv.	State Fund IEPA	Total
Operating revenues:				
Charges for services:				
User fees	\$ 5,646,322	\$ -	\$ -	\$ 5,646,322
Sewer service fees	1,792,813	-	-	1,792,813
Service availability fees	4,754,189	-	-	4,754,189
Fines and other fees	229,667	-	-	229,667
Grease trap permits	40,645	-	-	40,645
Connection fees	54,250	211,273	-	265,523
Plan review fees	63,325	-	-	63,325
Scrap metal sales	1,438	-	-	1,438
Total operating revenues	12,582,649	211,273	-	12,793,922
Operating expenses:				
Administration	2,170,677	2,296	30	2,173,003
Maintenance of sewers	891,742	-	-	891,742
Lift stations	174,809	-	-	174,809
Plant wastewater treatment	3,874,402	-	-	3,874,402
Laboratory	347,697	-	-	347,697
Total operating expenses	7,459,327	2,296	30	7,461,653
Operating income before depreciation and net pension obligation - GASB 68	5,123,322	208,977	(30)	5,332,269
Depreciation	3,621,689	-	-	3,621,689
Net pension obligation - GASB 68	(475,863)	-	-	(475,863)
Operating income	1,977,496	208,977	(30)	2,186,443
Non-operating revenues (expenses):				
Replacement taxes	230,926	-	-	230,926
Grants	7,819	-	-	7,819
Investment income	1,219	470,464	52,151	523,834
Gain on sale of capital assets	10,774	-	-	10,774
Contributed assets	683,321	-	-	683,321
Interest expense	-	-	(247,583)	(247,583)
Total non-operating revenues (exp.)	934,059	470,464	(195,432)	1,209,091
Income (loss) before transfers	2,911,555	679,441	(195,462)	3,395,534

Continued on next page ...

FLAGG CREEK WATER RECLAMATION DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY SUBFUND

Year Ended April 30, 2024

Continued from previous page...

	<u>Sewerage and User</u>	<u>Capital Improv.</u>	<u>State Fund IEPA</u>	<u>Total</u>
Transfers				
Transfers in	\$ 1,110,635	\$ 7,056,770	\$ 1,824,000	\$ 9,991,405
Transfers out	<u>(8,880,770)</u>	<u>(1,110,635)</u>	<u>-</u>	<u>(9,991,405)</u>
Total transfers	(7,770,135)	5,946,135	1,824,000	-
Net change in net assets	(4,858,580)	6,625,576	1,628,538	3,395,534
Net position:				
Beginning of year	<u>59,115,735</u>	<u>4,647,566</u>	<u>(14,804,288)</u>	<u>48,959,013</u>
End of year	<u>\$ 54,257,155</u>	<u>\$ 11,273,142</u>	<u>\$ (13,175,750)</u>	<u>\$ 52,354,547</u>

FLAGG CREEK WATER RECLAMATION DISTRICT

SCHEDULE OF REVENUES AND EXPENSES - BUDGET TO ACTUAL FOR SEWERAGE AND USER SUBFUND

Year Ended April 30, 2024

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under)</u>
Operating revenues:			
User fees	\$ 5,625,000	\$ 5,646,322	\$ 21,322
Sewer service fees	1,725,000	1,792,813	67,813
Service availability	4,680,000	4,754,189	74,189
Fines and fees	150,000	229,667	79,667
Grease trap permits	40,000	40,645	645
Connection fees	47,000	54,250	7,250
Plan review fees	55,000	63,325	8,325
Scrap metal fees	2,000	1,438	(562)
	<u>12,324,000</u>	<u>12,582,649</u>	<u>258,649</u>
Total operating revenues			
Nonoperating revenues:			
Replacement taxes	300,000	230,926	(69,074)
Investment income	1,000	1,219	219
Other income	31,000	701,914	670,914
	<u>332,000</u>	<u>934,059</u>	<u>602,059</u>
Total non-operating revenues			
Total revenues			
	<u>\$ 12,656,000</u>	<u>\$ 13,516,708</u>	<u>\$ 860,708</u>
Operating expenses:			
Administration:			
Salaries	\$ 800,000	\$ 842,741	\$ 42,741
Group insurance	400,000	395,621	(4,379)
Unemployment taxes	800	37,090	36,290
Employee benefits	100,000	64,906	(35,094)
Worker's compensation	2,000	1,973	(27)
Life insurance	3,500	3,685	185
IMFR/FICA	75,000	71,684	(3,316)
Uniforms	1,000	-	(1,000)
Utilities	45,000	35,046	(9,954)
Shipping	2,000	611	(1,389)
Supplies/postage	110,000	112,966	2,966
Notifications	1,500	1,106	(394)
Subscriptions	15,000	16,350	1,350
Telephone	15,000	16,386	1,386
Training and meetings	3,000	3,289	289
Insurance	257,000	262,412	5,412
Equipment purchases	-	8,135	8,135
Safety equipment and supplies	500	612	112
Maintenance contracts	55,000	45,156	(9,844)
Vehicle expense	1,000	849	(151)
Professional services	148,500	118,604	(29,896)
Administrative services	2,000	(3,412)	(5,412)
Computer maintenance	140,000	134,867	(5,133)
	<u>2,177,800</u>	<u>2,170,677</u>	<u>(7,123)</u>
Total administration			

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FLAGG CREEK WATER RECLAMATION DISTRICT

SCHEDULE OF REVENUES AND EXPENSES - BUDGET TO ACTUAL FOR SEWERAGE AND USER SUBFUND

Year Ended April 30, 2024

Continued from previous page ...

	Budget	Actual	Over (Under)
Maintenance of sewers:			
Salaries	\$ 400,000	\$ 398,081	\$ (1,919)
Group insurance	145,000	142,690	(2,310)
Unemployment taxes	400	462	62
Employee benefits	35,000	36,047	1,047
Worker's compensation	10,000	12,381	2,381
Life insurance	1,000	1,656	656
IMRF/FICA	35,000	34,744	(256)
Uniforms	5,000	2,616	(2,384)
Shipping	1,000	318	(682)
Supplies/postage	25,000	23,589	(1,411)
Telephone	5,000	4,315	(685)
Training & meetings	1,000	346	(654)
J.U.L.I.E	21,000	18,547	(2,453)
Safety equipment & supplies	-	166	166
Maintenance contracts	6,000	3,271	(2,729)
Vehicle expense	50,000	85,178	35,178
Computer maintenance	10,000	10,941	941
Sewer repairs	100,000	105,727	5,727
Professional Services	20,000	10,667	(9,333)
Total maintenance and sewers	870,400	891,742	21,342
Lift Stations:			
Utilities	100,000	106,548	6,548
Supplies/postage	10,000	10,524	524
Maintenance contracts	75,000	57,737	(17,263)
Total lift stations	185,000	174,809	(10,191)
Plant wastewater treatment:			
Salaries	1,110,000	1,178,749	68,749
Group insurance	505,000	497,358	(7,642)
Unemployment taxes	2,000	1,547	(453)
Employee benefits	135,000	134,202	(798)
Worker's compensation	40,000	36,339	(3,661)
Life insurance	3,000	4,968	1,968
IMRF/FICA	100,000	101,090	1,090
Uniforms	16,000	16,568	568

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FLAGG CREEK WATER RECLAMATION DISTRICT

SCHEDULE OF REVENUES AND EXPENSES - BUDGET TO ACTUAL FOR SEWERAGE AND USER SUBFUND

Year Ended April 30, 2024

Continued from previous page ...

	Budget	Actual	Over (Under)
Utilities	\$ 375,000	\$ 500,664	\$ 125,664
Shipping	1,500	2,739	1,239
Supplies/postage	435,000	509,818	74,818
Subscriptions	-	889	889
Telephone	11,000	12,447	1,447
Permits	52,500	52,500	-
Training and meetings	6,000	9,583	3,583
Equipment purchases	10,000	25,649	15,649
Safety equipment and supplies	1,500	1,531	31
Maintenance contracts	750,000	715,262	(34,738)
Vehicle expense	43,000	40,783	(2,217)
Professional services	50,000	27,501	(22,499)
Computer maintenance	4,000	4,215	215
Total plant wastewater treatment	3,650,500	3,874,402	223,902
Laboratory:			
Salaries	178,000	183,638	5,638
Group insurance	100,000	92,180	(7,820)
Unemployment taxes	300	231	(69)
Employee benefits	15,000	13,391	(1,609)
Worker's compensation	5,000	6,206	1,206
Life insurance	500	828	328
IMRF/FICA	18,000	16,604	(1,396)
Uniforms	3,000	2,110	(890)
Shipping	500	885	385
Supplies/postage	20,000	21,880	1,880
Subscriptions	-	103	103
Training & meetings	-	419	419
Equipment purchases	-	-	-
Safety equipment & supplies	1,000	534	(466)
Maintenance contracts	10,000	8,495	(1,505)
Vehicle expense	1,000	193	(807)
Total laboratory	352,300	347,697	(4,603)
Total operating expenses	\$ 7,236,000	\$ 7,459,327	\$ 223,327