

CITY OF SPRINGFIELD, ILLINOIS

WATER FUND

(An Enterprise Fund of the City of Springfield, Illinois)

For the Years Ended February 28, 2021
and February 29, 2020

CITY OF SPRINGFIELD – WATER FUND
SPRINGFIELD, ILLINOIS
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Independent Auditors' Report

To the Honorable Mayor and Members of the City Council
Water Fund

Report on the Financial Statements

We have audited the accompanying financial statements of Water Fund, an enterprise fund of the City of Springfield, Illinois, as of and for the years ended February 28, 2021 and February 29, 2020, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Water Fund'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 Water Fund'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 financial statements referred to above present fairly, in all material respects, the financial position of Water Fund as of February 28, 2021 and February 29, 2020, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statements present only the Water Fund enterprise fund and do not purport to, and do not, present fairly the financial position of the City of Springfield, Illinois, as of February 28, 2021 and February 29, 2020 and the respective changes in financial position, or cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Water Fund has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Baker Tilly US, LLP
Madison, Wisconsin
July 28, 2021

FINANCIAL STATEMENTS

CITY OF SPRINGFIELD
WATER FUND
SPRINGFIELD, ILLINOIS
Balance Sheets
February 28, 2021 and February 29, 2020

	2021	2020
Assets		
Utility plant (Note 2):		
Property, plant and equipment in service	\$ 280,758,888	\$ 278,232,950
Less accumulated depreciation	81,414,541	76,457,512
	199,344,347	201,775,438
Construction work in progress	13,962,237	6,748,499
Net utility plant	213,306,584	208,523,937
Other property and investments (Note 3):		
Auxiliary service property	8,439,838	8,359,458
Less accumulated depreciation	4,699,313	4,528,286
	3,740,525	3,831,172
Nonutility property, Hunter Lake, nondepreciable	24,382,245	24,337,029
Total other property and investments	28,122,770	28,168,201
Restricted assets:		
Cash and cash equivalents (Notes 4 and 5)	20,494,779	21,578,795
Investments (Notes 4 and 5)	300,000	300,000
Accrued interest receivable	360	9,758
Total restricted assets	20,795,139	21,888,553
Current assets:		
Cash and cash equivalents (Note 4)	7,466,379	5,638,922
Accounts receivable:		
Billed, net of allowance for doubtful accounts of \$11,324		
and \$28,275 in 2021 and 2020, respectively	3,445,421	2,621,399
Unbilled utility revenues	1,056,781	993,963
Inventories - materials and supplies	1,121,403	1,157,917
Other assets	15,810	15,810
Due from primary government (Note 6)	142,987	99,432
Prepaid expenses	186,553	135,327
Total current assets	13,435,334	10,662,770
Regulatory asset - debt issuance costs, net	223,653	-
Total assets	275,883,480	269,243,461
Deferred outflows of resources		
Loss on refunding	163,507	178,371
IMRF Pension	1,662,278	1,786,421
OPEB	1,066,661	1,223,028
Total deferred outflows of resources	2,892,446	3,187,820
Total assets and deferred outflows of resources	\$ 278,775,926	\$ 272,431,281

See accompanying notes to financial statements.

**CITY OF SPRINGFIELD
WATER FUND
SPRINGFIELD, ILLINOIS
Balance Sheets
February 28, 2021 and February 29, 2020**

	2021	2020
Net position and liabilities		
Net position:		
Net investment in capital assets	\$ 172,943,248	\$ 167,800,694
Restricted for debt service	767,991	1,660,123
Restricted for system repairs and improvements	7,715,297	6,375,784
Unrestricted	(35,097,372)	(32,902,492)
Total net position	<u>146,329,164</u>	<u>142,934,109</u>
Noncurrent liabilities:		
Long-term debt, net of current installments (Note 5)	80,760,392	77,931,285
IMRF pension obligation (Note 8)	1,219,551	8,279,277
Other postemployment benefits obligation (Note 12)	22,877,546	22,441,987
Compensated absences (Note 1)	347,891	697,684
Due to primary government (Note 6)	-	281,242
Other payables	199,447	249,284
Total noncurrent liabilities	<u>105,404,827</u>	<u>109,880,759</u>
Current liabilities payable from restricted assets:		
Current installments of long-term debt (Note 5)	-	1,545,000
Accounts and contracts payable	-	1,548,629
Accrued interest payable	2,014	1,362,097
Total current liabilities payable from restricted assets	<u>2,014</u>	<u>4,455,726</u>
Current liabilities:		
Current installments of long-term debt (Note 5)	351,191	347,321
Accounts and contracts payable	3,369,222	1,280,053
Accrued payroll	303,137	237,219
Unearned revenue	38,970	37,774
Compensated absences (Note 1)	702,116	700,525
Due to primary government (Note 6)	3,939,283	375,672
Other payables	85,702	134,716
Total current liabilities	<u>8,789,621</u>	<u>3,113,280</u>
Total liabilities	<u>114,196,462</u>	<u>117,449,765</u>
Deferred inflows of resources		
IMRF Pension	8,438,776	4,415,807
OPEB	6,994,661	7,631,600
Gain from refunding	2,816,863	-
Total deferred inflows of resources	<u>18,250,300</u>	<u>12,047,407</u>
Total net position, liabilities and deferred inflows of resources	<u><u>\$ 278,775,926</u></u>	<u><u>\$ 272,431,281</u></u>

See accompanying notes to financial statements.

CITY OF SPRINGFIELD
WATER FUND
SPRINGFIELD, ILLINOIS
Statements of Revenues, Expenses and Changes in Net Position
Years Ended February 28, 2021 and February 29, 2020

	<u>2021</u>	<u>2020</u>
Operating revenues, water revenues and other	\$ 27,103,221	\$ 28,128,790
Operating expenses:		
Source of supply	1,569,713	920,404
Pumping	1,215,950	1,218,066
Purification	4,776,244	4,793,253
Distribution	6,099,890	6,051,737
Accounting and collection	1,627,251	1,808,228
Administrative and general	1,752,594	1,228,579
Other postemployment benefits (Note 12)	(45,013)	1,875,451
IMRF pension expense (Note 8)	(2,912,614)	92,061
Depreciation	5,347,745	5,302,601
Total operating expenses	<u>19,431,760</u>	<u>23,290,380</u>
Operating income	<u>7,671,461</u>	<u>4,838,410</u>
Nonoperating income (expense):		
Investment income	106,938	387,262
Interest charges	(2,471,109)	(2,692,058)
Auxiliary service property and nonutility property operations, net (Note 3)	(1,972,981)	(1,805,503)
Other income (expense), net	(628,072)	(19,019)
Total nonoperating income (expense)	<u>(4,965,224)</u>	<u>(4,129,318)</u>
Change in net position before contributions and transfers	2,706,237	709,092
Contribution revenue (Note 1)	1,092,322	1,141,145
Transfer out (Note 11)	<u>(403,504)</u>	<u>(414,934)</u>
Change in net position	3,395,055	1,435,303
Net position, beginning of year	<u>142,934,109</u>	<u>141,498,806</u>
Net position, end of year	<u><u>\$ 146,329,164</u></u>	<u><u>\$ 142,934,109</u></u>

See accompanying notes to financial statements.

**CITY OF SPRINGFIELD
WATER FUND
SPRINGFIELD, ILLINOIS
Statements of Cash Flows**

Years Ended February 28, 2021 and February 29, 2020

	2021	2020
Cash flows from operating activities:		
Receipts from customers	\$ 25,930,695	\$ 28,624,317
Receipts from other funds	285,687	290,558
Payments to suppliers	(5,688,007)	(3,934,419)
Payments to employees	(8,299,546)	(7,814,335)
Payments to other funds	(3,658,202)	(4,085,076)
Net cash from operating activities	<u>8,570,627</u>	<u>13,081,045</u>
Cash flows from noncapital financing activities:		
Transfer out	(403,504)	(414,934)
Net receipts (payments) on inter-fund borrowing	3,238,814	(456,622)
Net cash from noncapital financing activities	<u>2,835,310</u>	<u>(871,556)</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of utility plant and auxiliary service property	(10,862,279)	(9,298,423)
Principal paid on revenue bonds, refunding bonds and loan payable	(3,587,320)	(3,483,552)
Interest paid on bonds and loan payable	(3,774,746)	(3,347,557)
Auxiliary service and nonutility property operations, net	(1,793,704)	(1,637,169)
Contribution revenue	1,092,322	1,141,145
Proceeds from issuance of revenue bonds	8,370,548	-
Costs of issuance on bond refunding	(223,653)	-
Other capital and related financing activities	-	(4,156)
Net cash from capital and related financing activities	<u>(10,778,832)</u>	<u>(16,629,712)</u>
Cash flows from investing activities:		
Purchase of investments	(300,000)	-
Proceeds from maturities of investments	300,000	1,000,000
Interest on investments	116,336	383,728
Net cash from investing activities	<u>116,336</u>	<u>1,383,728</u>
Net increase (decrease) in cash and cash equivalents	743,441	(3,036,495)
Cash and cash equivalents, beginning of year	<u>27,217,717</u>	<u>30,254,212</u>
Cash and cash equivalents, end of year	<u><u>\$ 27,961,158</u></u>	<u><u>\$ 27,217,717</u></u>
Cash and cash equivalents, restricted	\$ 20,494,779	\$ 21,578,795
Cash and cash equivalents, unrestricted	7,466,379	5,638,922
Total cash and cash equivalents	<u><u>\$ 27,961,158</u></u>	<u><u>\$ 27,217,717</u></u>

See accompanying notes to financial statements.

**CITY OF SPRINGFIELD
WATER FUND
SPRINGFIELD, ILLINOIS
Statements of Cash Flows**

Years Ended February 28, 2021 and February 29, 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of operating income to net cash from operating activities:		
Operating income (loss)	\$ 7,671,461	\$ 4,838,410
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	5,347,745	5,302,601
Change in assets and liabilities:		
(Increase) decrease in unbilled utility receivables	(62,818)	(181,505)
(Increase) decrease in accounts receivable-consumers	(824,022)	386,474
(Increase) decrease in inventories	36,514	(43,917)
(Increase) decrease in prepaid expenses	(51,226)	(17,418)
Increase (decrease) in accounts and contracts payable	540,540	1,896,958
Increase (decrease) in other payables	(848,851)	(635,770)
Increase (decrease) in unearned revenues	1,196	15,647
Increase (decrease) in accrued compensation and compensated absences	(282,284)	(447,947)
Increase (decrease) in IMRF pension obligation, deferred outflows and deferred inflows	(2,912,615)	92,061
Increase (decrease) in OPEB obligation and deferred inflows	(45,013)	1,875,451
Net cash from operating activities	<u><u>\$ 8,570,627</u></u>	<u><u>\$ 13,081,045</u></u>
Supplemental disclosures of noncash:		
Investing and capital and related financing activities:		
Refunding of bonds	\$ 57,740,000	\$ -

See accompanying notes to financial statements.

CITY OF SPRINGFIELD, ILLINOIS - WATER FUND
SPRINGFIELD, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

February 28, 2021 and February 29, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Water Fund, an Enterprise Fund of the City of Springfield, Illinois (the City), have been prepared in conformity 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 principles and financial reporting practices. The more significant of the Water Fund's accounting policies are described below.

A. Fund Accounting and Financial Statement Presentation

The Water Fund is a fund of the City and is classified as an Enterprise Fund (proprietary fund type). 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 governing body 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 governing body has decided that periodic determination of revenue earned, expenses incurred, and/or change in net assets is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The financial statements present only the financial position, changes in financial position, and cash flows of the City's Water Fund. These financial statements are not intended to present fairly the financial position, changes in financial position and cash flows of the City in conformity with GAAP.

B. Basis of Accounting

Basis of accounting refers to when revenue and expenses are recognized in the accounts and reported in the financial statements.

The Water Fund utilizes the accrual basis of accounting, which recognizes revenue when it is earned, including an estimate of water revenue unbilled at the end of each accounting period, and expenses when they are incurred. The Water Fund, the Electric Light and Power Fund and the Sewer Fund jointly bill customers for services.

CITY OF SPRINGFIELD – WATER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Operating Revenues and Expenses:

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Retail revenue is billed monthly based on rates adopted by the City Council. For the years ended February 28, 2021 and February 29, 2020, retail customers of the water system paid an average price of \$3.70 and \$3.64, respectively per 100 cubic feet of water. Retail customer class average prices, for the 2021 and 2020 fiscal years, were as follows:

	2021	2020
Inside City	\$ 3.64	\$ 3.57
Outside City	4.41	4.63
Southern View	4.95	5.00

D. Utility Plant in Service and Auxiliary Service Property

Property, plant and equipment are stated at cost. The cost of property additions, including replacements of units of property and improvements, is capitalized as property, plant and equipment. Cost includes labor, material and similar items, and indirect charges for such items as transportation and supervision. Capital assets are defined as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Interest expense incurred during the construction of major projects is included as part of the capitalized cost of the constructed capital assets. Maintenance and repairs of property and replacements of items determined to be less than units of property are charged to operations. Donated fixed assets are valued at their acquisition value on the date donated.

Depreciation is provided on a straight-line basis over the estimated service lives of depreciable property, ranging from 10 to 100 years for the plant and distribution system, and from 5 to 33 years for equipment. Depreciation provided during the years ended February 28, 2021 and February 29, 2020, was approximately 1.9 percent and 1.9 percent, respectively, of depreciable utility plant at February 28, 2021 and February 29, 2020.

E. Nonutility and Other Property

Nonutility and other property represent property acquired for the proposed John H. Hunter Lake project. The cost of farmland, including legal and other acquisition costs are capitalized assets. Rental revenue and operating expenses are reported on the statements of revenue, expenses and changes in net position.

CITY OF SPRINGFIELD – WATER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Restricted Asset Accounts

Restricted asset accounts are utilized in the Water Fund to comply with revenue bond ordinances. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then, unrestricted resources, as they are needed.

G. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Water Fund considers all highly liquid investments (including restricted assets) with an original maturity of three months or less to be cash equivalents. Illinois Funds are classified as cash and cash equivalents.

H. Investments

Investments as classified on the balance sheets are recorded at fair value using quoted market prices, except for certificates of deposit which are recorded at amortized cost.

I. Inventories

Inventories of materials and supplies are stated at the lower of cost or market, with cost determined on an average cost basis. Inventory is used for maintenance of utility plant, not for resale.

J. Long-term Debt Issuance Costs, Premiums, Discounts and Deferred Gains/Losses on Refunding

Long-term debt premiums, discounts and deferred gains/losses on refunding are amortized over the life of the related issue using the effective interest method. Long-term debt issuance costs are expensed as incurred.

K. Contribution Revenue and Related Project Costs

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the Water Fund is required to recognize capital contributions from non-exchange transactions as revenues. Contributions are payments received from contractors and other businesses and individuals for special water construction projects and contributions from other City funds for certain capital projects. Residential projects are billed a set unit-cost. Fees for other water projects are charged at actual cost with excess contributions refunded and deficient deposits billed. Costs of the projects are capitalized and depreciated.

CITY OF SPRINGFIELD – WATER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences

Water Fund employees are granted vacation and sick pay in varying amounts. In the event of termination, a non-union employee is reimbursed for accumulated vacation days up to the equivalent of two years vacation. A union employee normally must take vacation accrued during the fiscal year of accrual. Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees.

Certain union employees may accumulate up to 90 days of sick leave to be paid upon death or retirement. Non-union employees may accumulate an unlimited number of days of sick leave. A portion of accumulated sick leave is to be paid upon death or retirement as decided by the City Council. No sick leave is paid upon termination. An actuarially determined liability is recognized for that portion of accumulated sick leave benefits estimated to be payable upon death or retirement.

	Balances March 1	Additions	Deletions	Balances Feb 28/29	Current
2021	\$ 1,398,209	\$ 467,956	\$ 816,158	\$ 1,050,007	\$ 702,116
2020	1,418,607	850,044	870,442	1,398,209	700,525

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement 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* represents 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. Budget

Annually, the City adopts a budget for the Water Fund. The budget is adopted using the accrual basis of accounting.

CITY OF SPRINGFIELD – WATER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows in the financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used for acquisition, construction or improvement of those assets. Net position invested in capital assets, net of related debt, excludes unspent bond proceeds. Restricted reserve funds were \$12,309,477 and \$10,932,163 as of February 28, 2021 and February 29, 2020, respectively. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

P. Use of Estimates

The preparation of financial statements in accordance 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.

Q. Reclassifications

Certain fiscal year 2020 amounts have been reclassified to conform to the fiscal year 2021 presentation without effect on changes in net position.

R. Effect of New Accounting Standards on Current Period Financial Statements

GASB has approved GASB Statement No. 91, *Conduit Debt Obligations*, Statement No. 92, *Omnibus 2020*, Statement No. 93, *Replacement of Interbank Offered Rates*, Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, Statement No. 96, *Subscription-Based Information Technology Arrangements*, Statement No. 97, *Certain Component Unit Criteria*, and *Accounting and Financial Reporting for Internal Revenue Code Section 457, Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84*, and a supersession of GASB Statement No. 32. When they become effective, application of these standards may restate portions of these financial statements.

CITY OF SPRINGFIELD – WATER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. UTILITY PLANT

Utility plant activity for the year ended February 28, 2021 consists of the following:

	Balances March 1	Additions	Retirements	Balances February 28
Source of supply	\$ 31,597,567	\$ 93,373	\$ 6,214	\$ 31,684,726
Pumping	63,859,631	-	-	63,859,631
Purification	45,092,953	37,922	36,000	45,094,875
Distribution	127,732,397	2,608,260	271,550	130,069,107
General purpose	9,950,402	177,314	77,167	10,050,549
Total utility plant	<u>\$ 278,232,950</u>	<u>\$ 2,916,869</u>	<u>\$ 390,931</u>	<u>\$ 280,758,888</u>

Accumulated depreciation activity for the year ended February 28, 2021 consists of the following:

	Balances March 1	Additions	Retirements	Balances February 28
Source of supply	\$ 7,620,905	\$ 259,212	\$ 5,999	\$ 7,874,118
Pumping	8,695,151	1,315,552	-	10,010,703
Purification	16,024,659	1,436,370	36,000	17,425,029
Distribution	36,962,271	1,914,336	271,550	38,605,057
General purpose	7,154,526	422,275	77,167	7,499,634
Total accumulated depreciation	<u>\$ 76,457,512</u>	<u>\$ 5,347,745</u>	<u>\$ 390,716</u>	<u>\$ 81,414,541</u>

Utility plant, net of accumulated depreciation	<u>\$ 201,775,438</u>	<u>\$ (2,430,876)</u>	<u>\$ 215</u>	<u>\$ 199,344,347</u>
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	Balances March 1	Additions	Closeout	Balances February 28
Construction work in progress	<u>\$ 6,748,499</u>	<u>\$10,691,476</u>	<u>\$ 3,477,738</u>	<u>\$ 13,962,237</u>
Net utility plant	<u>\$ 208,523,937</u>	<u>\$ 8,260,600</u>	<u>\$ 3,477,953</u>	<u>\$ 212,306,584</u>

Utility plant activity for the year ended February 29, 2020 consists of the following:

	Balances March 1	Additions	Retirements	Balances February 29
Source of supply	\$ 31,597,567	\$ -	\$ -	\$ 31,597,567
Pumping	63,859,631	-	-	63,859,631
Purification	45,068,285	34,668	10,000	45,092,953
Distribution	124,632,289	3,450,708	350,600	127,732,397
General purpose	9,403,381	692,923	145,902	9,950,402
Total utility plant	<u>\$ 274,561,153</u>	<u>\$ 4,178,299</u>	<u>\$ 506,502</u>	<u>\$ 278,232,950</u>

CITY OF SPRINGFIELD – WATER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. UTILITY PLANT (Continued)

Accumulated depreciation activity for the year ended February 29, 2020 consists of the following:

	Balances March 1	Additions	Retirements	Balances February 29
Source of supply	\$ 7,358,638	\$ 262,267	\$ -	\$ 7,620,905
Pumping	7,379,599	1,315,552	-	8,695,151
Purification	14,596,828	1,437,831	10,000	16,024,659
Distribution	35,432,597	1,880,274	350,600	36,962,271
General purpose	6,642,961	657,467	145,902	7,154,526
Total accumulated depreciation	<u>\$ 71,410,623</u>	<u>\$ 5,553,391</u>	<u>\$ 506,502</u>	<u>\$ 76,457,512</u>
Utility plant, net of accumulated depreciation	<u>\$ 203,150,530</u>	<u>\$(1,375,092)</u>	<u>\$ -</u>	<u>\$ 201,775,438</u>
	Balances March 1	Additions	Closeout	Balances February 29
Construction work in progress	<u>\$ 1,607,605</u>	<u>\$ 9,303,784</u>	<u>\$ 4,162,890</u>	<u>\$ 6,748,499</u>
Net utility plant	<u>\$ 204,758,135</u>	<u>\$ 7,928,692</u>	<u>\$ 4,162,890</u>	<u>\$ 208,523,937</u>

As of February 28, 2021 and February 29, 2020, the non-depreciable amount of the Water Fund's Utility Plant totaled \$9,532,290 and \$9,524,215, respectively.

3. OTHER PROPERTY AND INVESTMENTS

A. Auxiliary Service Property

The land surrounding Lake Springfield, owned by the Water Fund, is used for residential properties, private recreational clubs and public purposes. All land except public land is leased under operating leases to individuals and groups for 60 to 99 year periods with options to renew. Land for the proposed John H. Hunter Lake is leased under operating leases for one to two years.

Auxiliary service property activity for the year ended February 28, 2021 consists of the following:

	Balances March 1	Additions	Retirements	Balances February 28
Land	\$ 1,196,029	\$ -	\$ -	\$ 1,196,029
Lake buildings and improvements	3,538,521	-	-	3,538,521
Park buildings and improvements	1,527,199	-	-	1,527,199
General purpose equipment	2,097,709	88,630	8,250	2,178,089
Total auxiliary service property	<u>\$ 8,359,458</u>	<u>\$ 88,630</u>	<u>\$ 8,250</u>	<u>\$ 8,439,838</u>

CITY OF SPRINGFIELD – WATER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. OTHER PROPERTY AND INVESTMENTS (Continued)

A. Auxiliary Service Property (Continued)

Accumulated depreciation activity for the year ended February 28, 2021 consists of the following:

	Balances March 1	Additions	Retirements	Balances February 28
Lake buildings and improvements	\$ 2,281,086	\$ 68,024	\$ -	\$ 2,349,110
Park buildings and improvements	915,502	26,051	-	941,553
General purpose equipment	1,331,698	85,202	8,250	1,408,650
Total accumulated depreciation	<u>\$ 4,528,286</u>	<u>\$ 179,277</u>	<u>\$ 8,250</u>	<u>\$ 4,699,313</u>

Auxiliary service property, net of accumulated depreciation	<u>\$ 3,831,172</u>	<u>\$ (90,647)</u>	<u>\$ -</u>	<u>\$ 3,740,525</u>
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	Balances March 1	Additions	Retirements	Balances February 28
Nonutility property, Hunter Lake, non-depreciable	<u>\$ 24,337,029</u>	<u>\$ 53,506</u>	<u>\$ 8,290</u>	<u>\$ 24,382,245</u>
Total other property and investments	<u>\$ 28,168,201</u>	<u>\$ (37,141)</u>	<u>\$ 8,290</u>	<u>\$ 28,122,770</u>

Auxiliary service property activity for the year ended February 29, 2020 consists of the following:

	Balances March 1	Additions	Retirements	Balances February 29
Land	\$ 1,196,029	\$ -	\$ -	\$ 1,196,029
Lake buildings and improvements	3,530,318	8,203	-	3,538,521
Park buildings and improvements	1,450,001	77,198	-	1,527,199
General purpose equipment	1,962,424	135,285	-	2,097,709
Total auxiliary service property	<u>\$ 8,138,772</u>	<u>\$ 220,686</u>	<u>\$ -</u>	<u>\$ 8,359,458</u>

CITY OF SPRINGFIELD – WATER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. OTHER PROPERTY AND INVESTMENTS (Continued)

A. Auxiliary Service Property (Continued)

Accumulated depreciation activity for the year ended February 29, 2020 consists of the following:

	Balances March 1	Additions	Retirements	Balances February 29
Lake buildings and improvements	\$ 2,213,011	\$ 68,075	\$ -	\$ 2,281,086
Park buildings and improvements	892,346	23,156	-	915,502
General purpose equipment	1,254,596	77,102	-	1,331,698
Total accumulated depreciation	<u>\$ 4,359,953</u>	<u>\$ 168,333</u>	<u>\$ -</u>	<u>\$ 4,528,286</u>
Auxiliary service property, net of accumulated depreciation	<u>\$ 3,778,819</u>	<u>\$ 52,353</u>	<u>\$ -</u>	<u>\$ 3,831,172</u>
	Balances March 1	Additions	Retirements	Balances February 29
Nonutility property, Hunter Lake, non-depreciable	<u>\$ 24,327,696</u>	<u>\$ 9,333</u>	<u>\$ -</u>	<u>\$ 24,337,029</u>
Total other property and investments	<u>\$ 28,106,515</u>	<u>\$ 61,686</u>	<u>\$ -</u>	<u>\$ 28,168,201</u>

As of February 28, 2021 and February 29, 2020, the non-depreciable amount of the Water Fund's Auxiliary Service Property totaled \$1,318,949 and \$1,318,949, respectively.

B. Nonutility and Other Property

As of February 28, 2021 and February 29, 2020, the Water Fund had acquired approximately 5,789 acres of farmland near Springfield for approximately \$15,717,000. The land was acquired to construct the proposed John H. Hunter Lake, which would supplement the present Lake Springfield's potable water supply and provide cooling water for the City's Electric Light and Power Fund's generating system. As of February 28, 2021 and February 29, 2020, the Water Fund has incurred a total of \$24,382,245 and \$24,337,029 for the project, which includes the purchase price of the farmland and additional legal, engineering and other acquisition costs of \$8,665,245 and \$8,620,029, respectively. Costs incurred for the project are classified as nonutility property, pending a final decision on the proposed project.

CITY OF SPRINGFIELD – WATER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. OTHER PROPERTY AND INVESTMENTS (Continued)

C. Operations

Operating revenue and costs of auxiliary service property and nonutility property follow:

	Year Ended February 28/29,	
	2021	2020
Revenue	\$ 1,326,598	\$ 1,242,330
Costs and expenses	(3,120,302)	(2,879,499)
Net expense before depreciation	(1,793,704)	(1,637,169)
Less depreciation expense	(179,277)	(168,334)
Net expense	\$ (1,972,981)	\$ (1,805,503)

4. DEPOSITS AND INVESTMENTS

Following are the components of the Water Fund's cash, cash equivalents and investments:

		February 28, 2021		
		Unrestricted	Restricted	Total
Cash and cash equivalents	\$	7,466,379	\$ 20,494,779	\$ 27,961,158
Investments		-	300,000	300,000
	\$	<u>7,466,379</u>	<u>\$ 20,794,779</u>	<u>\$ 28,261,158</u>

		February 29, 2020		
		Unrestricted	Restricted	Total
Cash and cash equivalents	\$	5,638,922	\$ 21,578,795	\$ 27,217,717
Investments		-	300,000	300,000
	\$	<u>5,638,922</u>	<u>\$ 21,878,795</u>	<u>\$ 27,517,717</u>

GASB Statement No. 40, *Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3*, requires disclosure of credit risk, concentration of credit risk, interest rate risk, and foreign currency risk and modifies previous custodial credit risk disclosure requirements.

The City is empowered by statute to invest in certain types of securities as provided in the Public Funds Investment Act, 30 Illinois Compiled Statutes 235/1 et seq. Permitted investments include U.S. Government issued or secured debt, insured or collateralized certificates of deposit, highly rated state and municipal debt, and state pooled investments. Investments held by a trustee responsible for subordinate lien bond funds may include highly rated money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933.

CITY OF SPRINGFIELD – WATER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. DEPOSITS AND INVESTMENTS (Continued)

A. Custodial Credit Risk

Custodial credit risk is the risk a government will not be able to recover deposits or investments that are in possession of an outside party. At February 28, 2021, the carrying amount of the Water Fund's deposits totaled \$21,173,601 and the bank balances totaled \$22,172,990. At February 29, 2020, the carrying amount of the Water Fund's deposits totaled \$20,198,462 and the bank balances totaled \$20,220,973. The City's investment policy requires that deposits with financial institutions be collateralized at 105 percent of the market value of the principal and interest of the deposit. The collateral is to be held by an independent third party with whom the entity has a current custody agreement. The City's bank balances are covered by the Federal Deposit Insurance Corporation (FDIC), Federal Home Loan Bank of Chicago irrevocable Letter of Credit, Insured Cash Sweep (ICS) accounts maintained in a deposit placement service, or collateral held at Independent Bankers Bank, Federal Reserve Bank of Chicago or Associated Bank Corporation.

The City requires all security transactions entered into by the City be conducted on a delivery versus payment basis. Securities will be held by a third party custodian designated by the City Treasurer and evidenced by a safekeeping receipt.

	February 28/29,	
	2021	2020
Cash and cash equivalents:		
Restricted	\$ 20,494,779	\$ 21,578,795
Unrestricted	7,466,379	5,638,922
	<u>27,961,158</u>	<u>27,217,717</u>
Less: Illinois Funds not subject to collateral	(5,787,557)	(7,019,255)
Carrying amount of deposits	<u>\$ 22,173,601</u>	<u>\$ 20,198,462</u>

B. Investments

Interest rate risk: The risk that changes in interest rates will adversely affect the fair value of an investment is interest rate risk. In accordance with the master revenue bond ordinance, the Water Fund limits investments to those with a maturity of five years or less. City policy places further limits stating that the City will not directly invest in securities with a maturity of greater than five years three months from the date of purchase. Reserve funds, however, may be invested in securities exceeding five years three months if the maturity of such investments is made to coincide as nearly as practicable with the expected use of funds.

As of February 28, 2021 and February 29, 2020, the Water Fund had no investment balances with interest rate risk.

CITY OF SPRINGFIELD – WATER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Credit risk: The risk that an issuer or other counterparty to an investment will not fulfill its obligations is credit risk. The City is empowered by statute to invest in certain types of securities as provided in the Public Funds Investment Act, 30 Illinois Compiled Statutes 235/1 et seq. The Water Fund may only invest in certain securities in accordance with a master revenue bond ordinance. Investments are restricted to U.S. Government issued or secured debt, insured or collateralized certificates of deposits, highly rated state and municipal debt, and state pooled investments. Investments may not mature beyond five years. The associated investment credit risks are noted below.

As of February 28, 2021, the Water Fund's investments were rated as follows:

<u>Investment Type</u>	<u>Standard & Poor's</u>
Certificates of Deposit	N/A
Illinois Funds	AAAm

As of February 29, 2020, the Water Fund's investments were rated as follows:

<u>Investment Type</u>	<u>Standard & Poor's</u>
Certificates of Deposit	N/A
Illinois Funds	AAAm

As of February 28, 2021 and February 29, 2020, the Water Fund had investments in the Illinois Funds which are valued at amortized cost.

C. Concentration of Credit Risk

The risk of loss attributed to the magnitude of a government's investments in a single issuer is concentration of credit risk. The City's investment policy calls for diversification of its investments by security type and institution. With the exception of U.S. Treasury notes and authorized pools, no more than 50 percent of the City's total investment portfolio will be invested in a single security type or with a single financial institution. The City's investment policy is written to encompass all City investments. Diversification levels in the policy are for the total investment portfolio.

As of February 28, 2021 and February 29, 2020, the Water Fund had no investment balances with concentration of credit risk.

CITY OF SPRINGFIELD – WATER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. DEPOSITS AND INVESTMENTS (Continued)

D. Fair Values

The Water Fund categorizes its fair value measurements within the fair value established by generally accepted accounting principles. The hierarchy of inputs is 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; Level 3 are significant unobservable inputs.

As of February 28, 2021 and February 29, 2020, the Water Fund had no investments subject to fair value disclosure.

5. LONG-TERM DEBT

Long-term debt activity during the fiscal year ended February 28, 2021 consists of the following:

	Balances March 1	Additions	Retirements	Balances February 28	Due Within One Year
(a) IEPA Loan Payable, Series 2002	\$ 366,556	\$ -	\$ 143,707	\$ 222,849	\$ 147,576
(b) Revenue Bonds, Series 2012	56,005,000	-	56,005,000	-	-
(c) IEPA Loan Payable L17-2530	1,922,041	-	174,731	1,747,310	174,731
(d) IEPA Loan Payable L17-3756	187,742	-	28,884	158,858	28,884
(e) Revenue Bonds, Series 2018	14,715,000	-	1,000,000	13,715,000	-
(f) Revenue Bonds, Series 2020A	-	57,740,000	695,000	57,045,000	-
(g) Revenue Bonds, Series 2020B	-	8,355,000	-	8,355,000	-
Unamortized debt premium	6,627,267	-	6,627,267	-	-
Unamortized debt discount	-	(135,769)	(3,335)	(132,434)	-
Total	<u>\$ 79,823,606</u>	<u>\$ 65,959,231</u>	<u>\$ 64,671,254</u>	<u>81,111,583</u>	<u>\$ 351,191</u>
Less current principal maturities				(351,191)	
Long-term debt, net of current principal maturities				<u>\$ 80,760,392</u>	

Long-term debt activity during the fiscal year ended February 29, 2020 consists of the following:

	Balances March 1	Additions	Retirements	Balances February 29	Due Within One Year
(a) IEPA Loan Payable, Series 2002	\$ 506,494	\$ -	\$ 139,938	\$ 366,556	\$ 143,706
(b) Revenue Bonds, Series 2012	58,180,000	-	2,175,000	56,005,000	1,545,000
(c) IEPA Loan Payable L17-2530	2,096,772	-	174,731	1,922,041	174,731
(d) IEPA Loan Payable L17-3756	216,626	-	28,884	187,742	28,884
(e) Revenue Bonds, Series 2018	15,680,000	-	965,000	14,715,000	-
Unamortized debt premium	7,238,010	-	610,743	6,627,267	-
Total	<u>\$ 83,917,902</u>	<u>\$ -</u>	<u>\$ 4,094,296</u>	<u>79,823,606</u>	<u>\$ 1,892,321</u>
Less current principal maturities				(1,892,321)	
Long-term debt, net of current principal maturities				<u>\$ 77,931,285</u>	

CITY OF SPRINGFIELD – WATER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. LONG-TERM DEBT (Continued)

(a) \$2,325,284; Loan from the State of Illinois Environmental Protection Agency (IEPA) Water Revolving Fund - Drinking Water Project; final payment due April 28, 2022; interest 2.675 percent; principal and interest payable April 28 and October 28. This represents a subordinate lien obligation of the Water Fund. This loan is a direct borrowing.

(b) \$68,050,000; Water Revenue Bonds, Series 2012; initial principal payment due March 1, 2013; final payment due March 1, 2037; interest 1.25 percent to 5 percent; interest payable March 1 and September 1; principal payable March 1; to be repaid by net revenue of Water Fund. This bond is a direct placement.

(c) \$4,532,613; ARRA Loan from the Illinois Environmental Protection Agency (IEPA) Water Revolving Fund, Drinking Water Project L17-2530; \$3,375,699 loan payable at 0 percent interest; initial principal payment paid November 3, 2011; final payment due November 3, 2030. This represents a subordinate lien obligation of the Water Fund. This loan is a direct borrowing.

(d) \$599,757; ARRA Loan from the Illinois Environmental Protection Agency (IEPA) Water Revolving Fund, Drinking Water Project L17-3756; \$433,253 loan payable at 0 percent interest; initial principal payment paid December 2, 2011; final payment due June 2, 2026. This represents a subordinate lien obligation of the Water Fund. This loan is a direct borrowing.

(e) \$16,610,000; Water Revenue Bonds, Series 2018; initial principal payment due March 1, 2019; final payment due March 1, 2032; interest 3.66 percent; interest payable March 1 and September 1; principal payable March 1; to be repaid by net revenue of Water Fund. This bond is a direct placement.

(f) \$57,740,000; Water Revenue Bonds, Series 2020A; initial principal payment due March 1, 2021; final payment due March 1, 2040; interest 3.43 percent; interest payable March 1 and September 1; principal payable March 1; to be repaid by net revenue of Water Fund. This bond is a direct placement.

(g) \$8,355,000; Water Revenue Bonds, Series 2020B; initial principal payment due March 1, 2021; final payment due March 1, 2041; interest 3.00 percent; interest payable March 1 and September 1; principal payable March 1; to be repaid by net revenue of Water Fund. This bond is a direct placement.

CITY OF SPRINGFIELD – WATER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. LONG-TERM DEBT (Continued)

Debt service requirements to maturity:

Fiscal Year Ending February 28/29,	Business Type Activities				Total
	Direct Placements		Direct Borrowings		
	Revenue Bonds	Revenue Bonds	Loan Payable	Loan Payable	
	Principal	Interest	Principal	Interest	
2022	\$ -	\$ 1,154,345	\$ 351,191	\$ 4,981	\$ 1,510,517
2023	3,215,000	2,281,586	278,887	1,007	5,776,480
2024	3,015,000	2,226,118	203,615	-	5,444,733
2025	2,845,000	2,167,456	203,615	-	5,216,071
2026	2,565,000	2,106,991	203,614	-	4,875,605
2027 – 2031	13,605,000	9,522,094	888,096	-	24,015,190
2032 – 2036	19,640,000	7,167,973	-	-	26,807,973
2037 – 2041	27,730,000	3,441,105	-	-	31,171,105
2042	6,500,000	97,500	-	-	6,597,500
	<u>\$ 79,115,000</u>	<u>\$ 30,165,168</u>	<u>\$ 2,129,018</u>	<u>\$ 5,988</u>	<u>\$111,415,174</u>

	February 28/29,	
	2021	2020
Current principal maturities by issue:		
Revenue Bonds, Series 2012	\$ -	\$ 1,545,000
IEPA Loan Payable, Series 2002	147,576	143,706
IEPA Loan Payable – ARRA Large Meter (L17-3756)	28,884	28,884
IEPA Loan Payable – ARRA Chemical Feed (L17-2530)	174,731	174,731
	<u>\$ 351,191</u>	<u>\$ 1,892,321</u>

Water Revenue Bonds - Direct Placements:

The City issues revenue bonds to undertake acquisition and construction of major improvements to the water system. Revenue bonds are limited obligations of the City and do not constitute an indebtedness or a pledge of the full faith and credit or the taxing power of the City. The bonds are not secured by a lien or security interest in the physical assets of the water system. The bonds are secured by lien on and security interest in the net revenues of the water system.

On August 28, 2012, the City issued \$68.050 million in water revenue bonds with interest rates of 1.25% to 5%. The Utility defeased \$9.005 million of the 2004 Water Revenue Bonds by placing the proceeds of the water revenue bonds in an irrevocable trust to provide for all future debt service payments on the bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Utility financial statements. The remaining 2004 Water Revenue Bonds were called on March 1, 2014

CITY OF SPRINGFIELD – WATER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. LONG-TERM DEBT (Continued)

On February 6, 2018, the City issued \$16.610 million in water revenue refunding bonds with an interest rate of 3.66%. The Utility defeased \$17.38 million of the remaining 1997 Water Revenue Bonds by placing the proceeds of the water revenue bonds in an irrevocable trust to provide for all future debt service payments on the bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Utility financial statements.

On November 12, 2020, the City issued \$66.095 million in Water Revenue Bonds with interest rates of 0.649% to 2.913%. The Series 2020A Bonds were issued for the purpose of providing monies to refund all of the City's Water Revenue Bonds, Series of 2012, to fund a deposit into the Debt Service Reserve Account, and to pay the costs of the issuance. The Series 2020B Bonds were issued for the purpose of providing monies to relocate the Water Distribution Facility, to fund the Debt Service Reserve Account, and to pay the cost of issuance. Proceeds of \$903,361 were deposited into the debt service reserve fund to fully fund the Debt Service Reserve Account created under the bond ordinance. Additional proceeds of \$58.262 million were deposited with the Escrow Trustee to refund the remainder of the 2012 Water Revenue Series Bonds. As a result, the 2012 Series Bonds are considered to be defeased and the liability for those bonds has been removed from the Water Fund.

The refunding of the 2012 Water Revenue Bonds yielded aggregate savings of \$3.088 million (net present value \$5.422 million). The Water Fund recorded a net gain on refunding of \$2,869,462.

The bond ordinances for the 2012, 2018 and 2020 bond issues establish certain reserve accounts and restrict transactions of these accounts. A description of these accounts and a schedule of activity for the years ended February 28, 2021 and February 29, 2020 are as follows:

2012, 2018 and 2020 Bond and Interest Accounts: Established to pay bond principal and interest when due. Amounts are to be deposited monthly to accumulate at a rate equal to a fractional amount of the current portion of long-term debt due plus a fractional amount of the next semi-annual interest payment due.

2012, 2018 and 2020 Debt Service Reserve Accounts: Established to pay bond principal and interest if sufficient funds are not available from other sources. The amount on deposit in each reserve account is to equal the maximum aggregate interest payment for the related debt issuance. Deposit deficiencies shall be funded in equal installments over thirty-six consecutive months.

2020 Cost of Issuance Account: Established to pay the costs of issuance on the 2020 Water Revenue Bonds.

CITY OF SPRINGFIELD – WATER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. LONG-TERM DEBT (Continued)

Emergency Repair Account: Established to pay for emergency repairs and replacements and to pay bond principal and interest when no other funds are available. The amount on deposit is to be not less than \$1,000,000 or such other amount as the City Council may determine based upon the recommendation of an independent consulting engineer. Deposit deficiencies shall be funded in equal installments within sixty consecutive months.

Renewal, Replacement and Improvement Account: Established to pay the cost of extraordinary maintenance, necessary repairs, and replacements or contingencies; routine maintenance, but only when no other funds are available; improvements and extensions or acquisitions for the system, including equipment; and payment of principal and interest if sufficient funds are not available in the respective bond and interest accounts. Monthly funding is required to be no less than one-twelfth of 15 percent of revenue for the preceding fiscal year less costs of chemicals and pumping expenses. However, monthly funding may fall to one-fifteenth of 15 percent as long as, at the end of each year, the deposits to the account total 15 percent of net revenue less costs for chemicals and pumping expenses.

Rebate Fund Account: Established to account for funds required to be deposited in order for the interest paid on the Series 2008 and 2012 Bonds to remain tax-exempt. Amounts are to be deposited on each anniversary date equal to the actuarial bond fund earnings for the year less allowable bond fund earnings which represent excess earnings on the gross funds for each computation period. Amounts on deposit must be paid to the U.S. Government on various anniversary dates.

2012 Improvement Account: Established to account for unexpended proceeds from the Series 2012 Bonds to be used to finance certain improvements to the municipal waterworks system.

2020 Improvement Account: Established to account for unexpended proceeds from the Series 2020 Bonds to be used to finance certain improvements to the municipal waterworks system, including the relocation of the water distribution facility.

CITY OF SPRINGFIELD – WATER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. LONG-TERM DEBT (Continued)

	2012 Bond and Interest Account	2018 Bond and Interest Account	2020 Bond and Interest Account
Cash and cash equivalents and investments- February 28, 2019 – reserve accounts	\$ 3,580,498	\$ 1,151	\$ -
Add (deduct)			
Interest income	18,252	4,502	-
Compliance deposits	4,244,012	1,534,420	-
Bond and interest payments	(4,936,050)	(1,538,888)	-
Transfers from (to) unrestricted accounts	(25)	-	-
	(673,811)	34	-
Cash and cash equivalents and investments- February 29, 2020 – reserve accounts	2,906,687	1,185	-
Add (deduct)			
Interest income	6,542	3,274	1,465
Compliance deposits	2,843,528	1,538,568	414,464
Bond issuance	-	-	(938,535)
Bond and interest payments	(5,391,435)	(1,538,569)	(75,891)
Transfers from (to) restricted accounts	(365,322)	-	1,303,740
Transfers from (to) unrestricted accounts	-	-	-
	(2,906,687)	3,273	705,243
Cash and cash equivalents and investments- February 28, 2021 – reserve accounts	\$ -	\$ 4,458	\$ 705,243

CITY OF SPRINGFIELD – WATER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. LONG-TERM DEBT (Continued)

	2012 Debt Service Reserve Account	2018 Debt Service Reserve Account	2020 Debt Service Reserve Account
Cash and cash equivalents and investments- February 28, 2019 – reserve accounts	\$ 1,682,416	\$ 307,760	\$ -
Add (deduct)			
Interest income	29,469	2,801	-
Compliance deposits	-	-	-
Bond and interest payments	-	-	-
Transfers from (to) unrestricted accounts	-	-	-
	29,469	2,801	-
Cash and cash equivalents and investments- February 29, 2020 – reserve accounts	1,711,885	310,561	-
Add (deduct)			
Interest income	21,081	1,474	1,042
Compliance deposits	-	-	-
Bond issuance	-	-	-
Bond and interest payments	-	-	-
Transfers from (to) restricted accounts	(1,732,966)	-	919,873
Transfers from (to) unrestricted accounts	-	-	-
	(1,711,885)	1,474	920,915
Cash and cash equivalents and investments- February 28, 2021 – reserve accounts	\$ -	\$ 312,035	\$ 920,915

CITY OF SPRINGFIELD – WATER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. LONG-TERM DEBT (Continued)

	2020 Cost of Issuance Account	Emergency Repair Account	Renewal Replacement & Improvement Account
Cash and cash equivalents and investments- February 28, 2019 – reserve accounts	\$ -	\$ 1,038,693	\$ 5,578,009
Add (deduct)			
Interest income	-	22,131	72,761
Compliance deposits	-	-	3,937,988
Bond and interest payments	-	-	-
Transfers from (to) unrestricted accounts	-	(59,439)	(2,671,000)
	-	(37,308)	1,339,749
Cash and cash equivalents and investments- February 29, 2020 – reserve accounts	-	1,001,385	6,917,758
Add (deduct)			
Interest income	198	3,696	25,425
Compliance deposits	-	-	3,229,104
Bond issuance	-	-	-
Bond and interest payments	-	-	-
Transfers from (to) restricted accounts	245,223	-	-
Transfers from (to) unrestricted accounts	(245,284)	-	(1,610,786)
	137	3,696	1,643,743
Cash and cash equivalents and investments- February 28, 2021 – reserve accounts	\$ 137	\$ 1,005,081	\$ 8,561,501

CITY OF SPRINGFIELD – WATER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. LONG-TERM DEBT (Continued)

	Water Rebate Account	2012 Water Improvement	2020 Water Improvement	Total
Cash and cash equivalents and investments- February 28, 2019 – reserve accounts	\$ 5,160	\$ 13,931,193	\$ -	\$ 26,124,880
Add (deduct)				
Interest income	110	131,807	-	281,833
Compliance deposits	-	-	-	9,716,420
Bond and interest payments	-	-	-	(6,474,938)
Transfers from (to) unrestricted accounts	-	(4,233,590)	-	(6,964,054)
	110	(4,101,783)	-	(3,440,739)
Cash and cash equivalents and investments- February 29, 2020 – reserve accounts	5,270	9,829,410	-	22,684,141
Add (deduct)				
Interest income	19	20,699	13,473	98,388
Compliance deposits	-	-	-	8,025,664
Bond issuance	-	-	8,370,548	7,432,013
Bond and interest payments	-	-	-	(7,005,895)
Transfers from (to) restricted accounts	-	(1,782,000)	1,411,452	-
Transfers from (to) unrestricted accounts	-	(4,241,546)	(1,782,000)	(7,879,616)
	19	(6,002,847)	8,013,473	670,554
Cash and cash equivalents and investments- February 28, 2021 – reserve accounts	\$ 5,289	\$ 3,826,563	\$ 8,013,473	23,354,695
Unrestricted portion 2012 Improvement Fund				(703,204)
Unrestricted portion Renew, Replace & Improve Fund				(1,856,712)
Accrued interest receivable				360
Total restricted accounts				<u>\$ 20,795,139</u>

For the year ended February 29, 2020, the reconciliation of the reserve accounts to the restricted accounts was as follows:

Cash and cash equivalents and investments - February 29, 2020	\$ 22,684,141
Unrestricted portion 2012 Improvement Fund	(805,346)
Accrued interest receivable	9,758
Total restricted accounts	<u>\$ 21,888,553</u>

CITY OF SPRINGFIELD – WATER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. LONG-TERM DEBT (Continued)

Various other agreements associated with the bond ordinances require the following:

- Additional revenue bonds can be issued if:
 - 1) The debt service requirement after a new issuance is no greater than the amount set forth for each bond year prior to the bond issuance except for the last year, and that the debt service requirement after the new issuance is not greater than the average of all bond years (excluding the last) prior to the issuance as determined by an Officer's Certificate;
 - 2) Estimated net revenues will be at least equal to 125 percent of maximum annual debt service on outstanding bonds as computed after the issuance of new bonds for each of the five fiscal years following the later of the date of delivery of new bonds or the last interest payment date for which interest on such bonds has been capitalized, as determined by an Officer's Certificate; or
 - 3) The adjusted net revenue (all revenue of the system after deduction of the reasonable and necessary expenses of operation and maintenance, but before depreciation, interest expense, and amortization) during any twelve consecutive months within the eighteen months immediately preceding the issuance of new bonds shall be at least equal to 125 percent times the combined maximum annual debt service on the bonds then outstanding and the additional bonds to be issued, as determined by an Officer's Certificate.
- Subordinate bonds may be issued for any lawful purpose of the City related to the System as determined by the City Council.
- Water charges are to be collected from the various City departments. The street and fire departments, however, may receive free water for street cleaning, sewer flushing and for use by the City's fire stations.
- Disposals of utility plant can only be of a routine operational nature.
- An annual operating budget for the Water Fund shall be adopted by the City.
- Investments, if any, are restricted as shown in the Deposits and Investments footnote (Note 4).
- Net revenue must equal or exceed the greater of 1.25 times principal and interest for each fiscal year, or 1.00 times principal and interest for each fiscal year plus amounts sufficient to meet reserve requirements.

As of February 28, 2021, the City was in compliance with the debt covenants of the bond ordinances. Net revenue equaled 2.45 times the principal and interest.

As of February 29, 2020, the City was in compliance with the debt covenants of the bond ordinances. Net revenue equaled 2.23 times the principal and interest.

CITY OF SPRINGFIELD – WATER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. DUE TO/FROM PRIMARY GOVERNMENT

The following amounts are due to/from primary government as of February 28, 2021:

	Due From Primary Government	Due To Primary Government
Corporate Fund	\$ 123,832	\$ 73,063
Lincoln Library Fund	286	-
Sewer Fund	323	16
Fleet Services Fund	676	-
Self-Insurance Fund	4,136	109,859
Oak Ridge Cemetery Fund	5,874	-
Motor Vehicle Parking Fund	516	-
Convention and Visitors Fund	75	-
Support Services Revolving Fund	6,720	-
Electric Light and Power Fund	-	3,574,703
Capital Equipment Fund	549	181,642
Total	<u>\$ 142,987</u>	<u>\$ 3,939,283</u>

The following amounts are due to/from primary government as of February 29, 2020:

	Due From Primary Government	Due To Primary Government
Corporate Fund	\$ 65,133	\$ 94,141
Lincoln Library Fund	911	-
Sewer Fund	260	39
Fleet Services Fund	539	46
Self-Insurance Fund	-	199,405
Oak Ridge Cemetery Fund	10,446	-
Motor Vehicle Parking Fund	126	-
Support Services Revolving Fund	2,385	-
Electric Light and Power Fund	19,632	-
Capital Equipment Fund	-	363,283
Total	<u>\$ 99,432</u>	<u>\$ 656,914</u>

These balances resulted from the time lag between dates that (1) inter-fund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

CITY OF SPRINGFIELD – WATER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. RELATED PARTY TRANSACTIONS

The Water Fund provides water service to the other departments of the City at normal rates, except that services may be and are provided at no charge to fire stations and for fire fighting and street cleaning.

During the years ended February 28, 2021 and February 29, 2020, certain employees performed services for both the Water Fund and the Electric Light and Power Fund. Salaries and employee expenses for such individuals are generally allocated 15 percent to the Water Fund and 85 percent to the Electric Light and Power Fund based on the Massachusetts Formula, which gives equal weighting to each Fund's revenue, property and labor.

The Water Fund, the Electric Light and Power Fund and the Sewer Fund jointly bill customers for services. Each of these funds records its billed accounts receivable from customers each month.

Beginning in fiscal year 2019, the Water Fund pays a shared service amount for certain mayoral, legal, human resource, purchasing and accounts payable services provided by the City's Corporate Fund. For fiscal years 2021 and 2020, the Water Fund's allocated portion of these shared service expenses totaled \$166,618 and \$181,468, respectively.

The Water Fund provides information technology and support services to the General (Corporate) Fund and certain other City funds at no charge.

8. PENSION PLAN

Participating employees are covered by the Illinois Municipal Retirement Fund (IMRF) through the City. However, the Water Fund's participation in IMRF is equivalent to a cost sharing multiple-employer pension plan since only one actuarial valuation is performed for both the City and the Water Fund combined. All disclosures for an agent plan can be found in the City's comprehensive annual financial report. Contributions are paid by the City and are reimbursed by the Water Fund.

Plan Description

For the City as a whole the plan is as follows:

The employer'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 employer 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 for the plan as a whole, but not for individual employers. That report may be obtained on-line at www.imrf.org.

CITY OF SPRINGFIELD – WATER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. PENSION PLAN (Continued)

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.

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 10 years of service. Participating members who retire at age 62 (reduced benefits) or after age 67 (full benefits) with 10 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.

Contributions

As set by statute, regular plan members are required to contribute 4.50 percent 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 City's annual required contribution rates for calendar years 2020 and 2019 were 16.37 percent and 13.36 percent, respectively, of annual covered payroll. The City 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.

For the years ended February 28, 2021 and February 29, 2020, salaries totaling \$9,149,695 and \$9,196,343, respectively, were paid that required employer contributions of \$1,493,031 and \$1,272,997, respectively.

CITY OF SPRINGFIELD – WATER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. PENSION PLAN (Continued)

Actuarial Assumptions

The City's net pension liability was measured as of December 31 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, 2019	December 31, 2020
Actuarial cost method	Entry Age Normal	Entry Age Normal
Assumptions		
Inflation	2.50%	2.25%
Salary increases	3.35% to 14.25%	2.85% to 13.75%
Interest rate	7.25%	7.25%
Cost of living adjustments	3.25%	3.25%
Asset valuation method	Market Value	Market Value

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.

Discount Rate

The discount rate is used to measure the total pension liability. 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 City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

For the purpose of the December 31, 2019 and December 31, 2020 valuations, based on the assumptions above, the IMRF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rates of return on pension plan investments of 7.25% and 7.25% at December 31, 2019 and December 31, 2020, respectively, were applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF SPRINGFIELD – WATER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. PENSION PLAN (Continued)

Net Pension Liability

At February 28, 2021 and February 29, 2020, the Water Fund reported a liability of \$1,219,551 and \$8,279,277, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020 and December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The Water Fund's proportion of the net pension liability was based on the Water Fund's actual contribution to the plan for the years ended February 28, 2021 and February 29, 2020, relative to the actual contributions of the City as a whole. At February 28, 2021 and February 29, 2020, the Water Fund's proportion was 13.58% and 12.97%, respectively, of the total contribution.

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

For the years ended February 28, 2021 and February 29, 2020, the Water Fund recognized pension expense of \$1,254,004 and \$1,380,414, respectively. At February 28, 2021 and February 29, 2020, the Water Fund reported deferred outflows of resources and deferred inflows of resources related to IMRF from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,096,797	\$ -	\$ 532,941	\$ 20,651
Changes in assumptions	360,992	438,452	995,983	505,237
Net difference between projected and actual earnings on pension plan investments	-	8,000,324	-	3,889,919
Contributions made after measurement date	204,559	-	257,497	-
Total	<u>\$ 1,662,278</u>	<u>\$ 8,438,776</u>	<u>\$ 1,786,421</u>	<u>\$ 4,415,807</u>

\$204,559 reported as deferred outflows of resources related to pensions resulting from Water Fund contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended February 28, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to IMRF will be recognized in pension expense as follows:

Year ending February 28/29,	
2021	\$ (1,788,755)
2022	(691,167)
2023	(3,167,345)
2024	(1,333,790)
2025	-
Thereafter	-
Total	<u>\$ (6,981,057)</u>

CITY OF SPRINGFIELD – WATER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. PENSION PLAN (Continued)

Discount Rate Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The tables below present the pension liability of the Water Fund calculated using the discount rates of 7.25% and 7.25% for fiscal years 2021 and 2020, respectively, as well as what the Water Fund's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

Fiscal Year Ending February 28, 2021			
	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability	\$ 101,148,879	\$ 90,928,420	\$ 82,677,221
Plan fiduciary net position	89,708,869	89,708,869	89,708,869
Net pension liability	<u>\$ 11,440,010</u>	<u>\$ 1,219,551</u>	<u>\$ (7,031,648)</u>

Fiscal Year Ending February 29, 2020			
	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability	\$ 106,327,536	\$ 95,212,208	\$ 86,009,797
Plan fiduciary net position	86,932,931	86,932,931	86,932,931
Net pension liability	<u>\$ 19,394,605</u>	<u>\$ 8,279,277</u>	<u>\$ (923,134)</u>

9. DEFERRED COMPENSATION

Certain employees paid by the Water Fund participate in a deferred compensation plan (the Plan) established in accordance with the requirements of the Internal Revenue Code Section 457 and sponsored by the City. Participation in the Plan is available to all employees of the City. The Water Fund has no administration responsibility, investment responsibility or liability for losses under the Plan.

10. RISK MANAGEMENT

The City is self-insured for medical benefits. The Water Fund makes monthly contributions to the City's Self Insurance Fund for medical claims based on a budgeted per-member amount. Any unpaid claims or incurred, but not reported, claims are a liability of the Self Insurance Fund.

CITY OF SPRINGFIELD – WATER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. RISK MANAGEMENT (Continued)

The City is also self-insured for certain general liability claims and workers' compensation claims. The Water Fund maintains cash and investment reserves to fund such claims. If needed, budgetary provisions may be established to provide additional funding. The Water Fund is responsible for actual general liability claims up to \$900,000 and for all workers' compensation claims. The Water Fund's liability for unpaid workers' compensation claims, which is included in other payables in the accompanying balance sheet, as of February 28, 2021, February 29, 2020, and February 28, 2019 is as follows:

	2021	2020	2019
Claims payable, beginning of year	\$ 372,065	\$ 1,007,835	\$ 785,747
Add claims incurred	28,478	(246,517)*	413,814
Less claims paid	(127,329)	(389,253)	(191,726)
Claims payable, end of year	<u>\$ 273,214</u>	<u>\$ 372,065</u>	<u>\$ 1,007,835</u>

*Claims incurred include changes in reserve amounts on claims from prior fiscal years. In fiscal year 2020, these reductions in reserve amounts were larger than the claims incurred in the current fiscal year.

Under the Master Bond Ordinance, the City is required to maintain insurance for the System of the kinds and in the amounts customarily carried by private parties operating similar properties; provided, however, that the City may self-insure over all or a part of such risks by establishing reasonable reserves or budgetary provisions. The City uses a combination of insurance policies and self-insurance to comply with the provisions of the Master Bond Ordinance. The City has property coverage contracts with ACE American Insurance, National Union Fire Insurance Company of Pittsburgh, Pa., Princeton Excess and Surplus Lines Insurance Company, Lloyd's of London, and Lloyd's StarStone, all of which provide property insurance coverage for the facilities of the System, including the Water Purification Plant, all Water Storage Towers, Spaulding Dam, Dividing Dam and the Saddle Dam. These contracts, which expire on July 14, 2021, have a combined liability limit of \$350,000,000. Settlement amounts have not exceeded insurance coverage for the current and three prior fiscal years. In addition, the City has established, within the General Account of the Water Fund, an Insurance Reserve Account which is used to pay for losses incurred by the System which are not covered by insurance policies and are less than \$900,000. As of February 28, 2021, the amount on deposit in the System's Insurance Reserve Account was \$1,005,078.

Monies received pursuant to casualty insurance policies maintained by the City, for the benefit of the System, are required to be deposited to the credit of the Renewal, Replacement and Improvement Account and used to repair or replace the loss or damage with respect to which the monies were received or, at the option of the City, deposited into the Special Redemption Fund established under the Master Bond Ordinance and used (a) to pay principal of or interest or redemption premium on any bonds when there are no other funds for such purpose or, if not needed for the purposes set forth in this clause (a), then (b) to redeem or purchase bonds subject, in the case of purchases, to the certain limitations provided in the Master Bond Ordinance. The City maintains a self-insurance program for general liability for the System and for workers' compensation which covers the Department as well as other City agencies and departments.

CITY OF SPRINGFIELD – WATER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TRANSFER OUT

The Water Fund makes payment in lieu of tax contributions to the primary government. Contributions are calculated as 2.5 percent of wholesale revenue and 1.39 percent of retail revenue. Both wholesale and retail revenue are adjusted for uncollectible debt, penalties and all applicable taxes for purposes of the calculation. These contributions totaled \$403,504 and \$414,934 during fiscal years 2021 and 2020, respectively.

The contributions to the primary government are shown as a transfer out, in the Statement of Revenues, Expenses and Changes in Net Position.

12. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The City of Springfield Retiree Health Insurance Plan is a self-insured medical plan that operates under the administration of the City's Office of Human Resources in conjunction with the Joint Labor-Management Health Insurance Committee. Retired employees of the City of Springfield and their dependents are eligible to participate in the plan. Retirees are required to pay certain premiums and the City pays the balance of the cost of the plan. The plan is funded on a pay-as-you-go basis and no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

Contributions and Benefits Provided

The City provides continued health insurance coverage at the active employee rate to all eligible employees in accordance with ILCS, which creates an OPEB for retirees, commonly referred to as an implicit rate subsidy. To be eligible for benefits, an employee must qualify for retirement under the City's retirement plans. Per Ordinance 624.09.05, the City pays 75% of the total premium costs per retiree who stays on the City insurance for life. Refunds, rebates subrogation funds 2.50% of the premium costs. The employees and retirees pay the difference in coverage premiums, or 22.50%. Disabled and retired employees are required to pay 100% of the premiums for such coverage.

Plan Membership

At February 28, 2021 and February 29, 2020, membership consisted of:

	2021	2020
Retired plan members	511	511
Active employees fully eligible	1,371	1,371
Total	1,882	1,882

CITY OF SPRINGFIELD – WATER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Total OPEB Liability

At February 28, 2021, the City's total OPEB liability of \$259,420,721 was measured as of February 28, 2021 and was determined by an actuarial valuation as of March 1, 2019. At February 28, 2021, the Water Fund reported a liability of \$22,877,546 for its proportionate share of the City's OPEB liability. The Water Fund's proportion of the OPEB liability was based on the Water Fund's covered salaries relative to the total covered salaries of the City as a whole. At February 28, 2021, the Water Fund's proportion was 8.819% of the total covered salaries.

At February 29, 2020, the City's total OPEB liability of \$260,080,588 was measured as of February 29, 2020 and was determined by an actuarial valuation as of March 1, 2019. At February 29, 2020, the Water Fund reported a liability of \$22,441,987 for its proportionate share of the City's OPEB liability. The Water Fund's proportion of the OPEB liability was based on the Water Fund's covered salaries relative to the total covered salaries of the City as a whole. At February 29, 2020, the Water Fund's proportion was 8.629% of the total covered salaries.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the February 28, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	2.44%
Health care participation rates	60% participation with 50% electing spouse coverage
Healthcare cost trend rates	Initial rate of 6.00%, grading down to the ultimate trend rate of 5.00%
Retirees' share of benefit-related costs	100%

The discount rate was based on the Bond Buyer 20-Bond Index as of February 25, 2021, as published by the Federal Reserve.

Mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate with adjustments for mortality improvements based on Scale AA. These rates are improved generationally using MP-2016 improvement rates.

The actuarial assumptions used in the February 28, 2021 valuation were based on the results of an actuarial experience study conducted by the independent actuary.

CITY OF SPRINGFIELD – WATER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial Assumptions and Other Inputs (continued)

The total OPEB liability in the February 29, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	2.27%
Health care participation rates	60% participation with 50% electing spouse coverage
Healthcare cost trend rates	Initial rate of 6.00%, grading down to the ultimate trend rate of 5.00%
Retirees' share of benefit-related costs	100%

The discount rate was based on the Bond Buyer 20-Bond Index as of February 27, 2020, as published by the Federal Reserve.

Mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate with adjustments for mortality improvements based on Scale AA. These rates are improved generationally using MP-2016 improvement rates.

The actuarial assumptions used in the February 29, 2020 valuation were based on the results of an actuarial experience study conducted by the independent actuary.

Changes in the Total OPEB Liability

	Water Fund OPEB Liability	
	2021	2020
Balance at beginning of year	\$ 22,441,987	\$ 19,181,412
Changes for the year:		
Service cost	(5,747,169)	1,206,145
Interest	(3,838,636)	1,643,109
Difference between expected and actual experience	-	(1,055,414)
Changes in assumptions	4,883,917	2,762,361
Benefit payments	5,137,447	(1,295,626)
Net changes	435,559	3,260,575
Balance at end of year	\$ 22,877,546	\$ 22,441,987

CITY OF SPRINGFIELD – WATER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Water Fund calculated using the discount rates of 2.44% and 2.27% for fiscal years 2021 and 2020, respectively, as well as what the Water Fund's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

For Fiscal Year Ending February 28, 2021			
	1% Decrease (1.44%)	Discount Rate (2.44%)	1% Increase (3.44%)
Total OPEB liability	\$ 27,158,938	\$ 22,877,546	\$ 19,546,590

For Fiscal Year Ending February 29, 2020			
	1% Decrease (1.27%)	Discount Rate (2.27%)	1% Increase (3.27%)
Total OPEB liability	\$ 26,741,991	\$ 22,441,987	\$ 19,111,456

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Water Fund calculated using the discount rates of 6% decreasing to 5%, and 6% decreasing to 5%, for fiscal years 2021 and 2020, respectively, as well as what the Water Fund's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or higher than the current healthcare cost trend rates:

For Fiscal Year Ending February 28, 2021			
	1% Decrease (5.00%) Decreasing to 4.00%)	Healthcare Cost Trend Rates (6.00%) Decreasing to 5.00%)	1% Increase (7.00%) Decreasing to 6.00%)
Total OPEB liability	\$ 18,829,172	\$ 22,877,546	\$ 28,240,190

For Fiscal Year Ending February 29, 2020			
	1% Decrease (5.00%) Decreasing to 4.00%)	Healthcare Cost Trend Rates (6.00%) Decreasing to 5.00%)	1% Increase (7.00%) Decreasing to 6.00%)
Total OPEB liability	\$ 18,591,018	\$ 22,441,987	\$ 27,536,390

CITY OF SPRINGFIELD – WATER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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

For the years ended February 28, 2021 and February 29, 2020, the Water Fund recognized OPEB expense of \$(45,013) and \$1,875,451, respectively. For the year ended February 28, 2021 and February 29, 2020, the Water Fund recognized deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 407,539	\$ -	\$ 467,282
Changes in assumptions	1,066,661	6,587,122	1,223,028	7,164,318
Net difference between projected and actual earnings on OPEB plan investments	-	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-	-
Contributions made after measurement date	-	-	-	-
Total	<u>\$ 1,066,661</u>	<u>\$6,994,661</u>	<u>\$ 1,223,028</u>	<u>\$ 7,631,600</u>

\$5,928,000 reported as deferred outflows/inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending December 31,	
2022	\$ (1,274,072)
2023	(1,274,072)
2024	(1,274,072)
2025	(1,274,072)
2026	(737,041)
Thereafter	(94,671)
Total	<u>\$ (5,928,000)</u>

Additional information regarding the City's OPEB plan, funded status, actuarial assumptions and related required supplemental information can be found in the City's Comprehensive Annual Financial Report.

CITY OF SPRINGFIELD – WATER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. PLEDGED WATER REVENUE

The Water Fund has pledged future net revenues, net of operations and maintenance costs, to repay \$84.66 million in water revenue bonds issued in 2012, 2018, and 2020. Proceeds from these bonds provided financing for various water system projects. The bonds are payable solely from water system net revenues and are payable through March 1, 2041. The total principal and interest remaining to be paid on the bonds is \$109.2 million as of February 28, 2021 and \$105.9 million as of February 29, 2020. Annual principal and interest payments on the bonds are required to be 80 percent or less of net revenues as per the bond ordinance.

For fiscal year 2021, the total principal and interest paid and total net revenues were \$7,005,895 and \$10,056,546, respectively. For fiscal year 2020, the total principal and interest paid and total net revenues were \$6,474,938 and \$12,934,215, respectively.

14. COMMITMENTS

The City Council approved a contract with Crawford Murphy & Tilly for design and construction engineering services for water purification plant filter system upgrades. Ordinance 073-03-18 was passed in March 2018 for \$1,452,558. As of February 28, 2021 and February 29, 2020, the amount remaining on this contract was \$6,765 and \$179,223, respectively.

A contract with Plocher Construction (Ordinance 258-06-19) was passed in June 2019 for filter plant additions and renovations for \$13.6 million. As of February 28, 2021, \$2,817,869 remained outstanding on the contract and \$1,072,813 was being held as retainage on this project.

A contract with Plocher Construction (Ordinance 399-10-20) was passed in November 2020 for applied channel repair for \$159,941. As of February 28, 2021, \$13,643 remained outstanding on the contract and \$13,643 was being held as retainage on this project.

A contract with Petersburg Plumbing & Excavating (Ordinance 207-06-20) was passed in June 2020 for lead water line replacement for \$265,442. As of February 28, 2021, \$103,778 remained outstanding on the contract and \$17,963 was being held as retainage on this project.

A contract with Sangamo Construction (Ordinance 446-11-19) was passed in November 2019 for \$76,742 for replacement of the Channel Dam Access Bridge. As of February 29, 2020, \$7,674 remained outstanding on the contract. The project was completed in fiscal year 2021 and final payment was made on May 15, 2020.

CITY OF SPRINGFIELD – WATER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. SUBSEQUENT EVENTS

On July 6, 2021 the City accepted a loan offer from the Illinois Environmental Protection Agency for a new Public Water Supply loan in the amount of \$4,000,000 to be used for the final phase of a project to replace 600 lead service lines within the community. In accordance with the Procedures for Issuing Loans from the Public Water Supply Loan Program Title 35 Ill. Adm. Code 662.250, \$4,000,000.00 of the loan amount will be forgiven by the State of Illinois.

**CITY OF SPRINGFIELD
WATER FUND
SPRINGFIELD, ILLINOIS
Schedule of Employer Contributions
Illinois Municipal Retirement Fund
Last Six Fiscal Years**

Fiscal Year Ending February 28/29,	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 1,493,031	\$ 1,272,997	\$ 1,432,435	\$ 1,493,065	\$ 1,545,434	\$ 1,492,549
Contributions in relation to the actuarially determined contribution	<u>1,493,031</u>	<u>1,272,997</u>	<u>1,432,435</u>	<u>1,493,065</u>	<u>1,545,434</u>	<u>1,492,549</u>
CONTRIBUTION DEFICIENCY (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 9,149,695	\$ 9,196,343	\$ 9,187,083	\$ 9,598,110	\$ 9,760,133	\$ 9,574,141
Contributions as a percentage of covered-employee payroll	16.32%	13.84%	15.59%	15.56%	15.83%	15.59%

These schedules are intended to present information for a ten-year period. As updated information becomes available, additional years will be presented.

Notes to Required Supplementary Information

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 25 years; 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 3.75% to 14.50% compounded annually and postretirement benefit increases of 3%.

**CITY OF SPRINGFIELD
WATER FUND
SPRINGFIELD, ILLINOIS
Schedule of the Water Fund's Proportionate Share of the Net Pension Liability
Illinois Municipal Retirement Fund
Last Six Years**

Measurement Date December 31,	2020	2019	2018	2017	2016	2015
Water Fund's proportion of net pension liability	13.58%	12.97%	13.14%	13.62%	13.48%	13.49%
Water Fund's proportionate share of net pension liability	\$ 1,219,551	\$ 8,279,277	\$ 16,674,394	\$ 5,293,078	\$ 14,497,045	\$ 14,301,049
Water Fund's covered-employee payroll	\$ 9,176,952	\$ 9,258,717	\$ 9,612,199	\$ 9,441,153	\$ 9,729,319	\$ 9,678,215
Water Fund's proportionate share of the net pension liability as a percentage of its covered-employee payroll	13.29%	89.42%	173.47%	56.06%	149.00%	147.77%
Plan fiduciary net position as a percentage of the total pension liability	98.66%	91.30%	81.72%	93.92%	83.70%	83.47%

These schedules are intended to present information for a ten-year period. As updated information becomes available, additional years will be presented.

**CITY OF SPRINGFIELD
WATER FUND
SPRINGFIELD, ILLINOIS**
Schedule of Changes in the Employer's Net OPEB Liability and Related Ratios

Fiscal Year Ending February 28/29,	2021	2020	2019
Total OPEB liability			
Service cost	\$ (5,747,169)	\$ 1,206,145	\$ 950,107
Interest on total OPEB liability	(3,838,636)	1,643,109	1,046,937
Differences between expected and actual experience of the total OPEB liability	-	(1,055,414)	-
Change of assumptions	4,883,917	2,762,361	(9,186,853)
Benefit payments, including refunds of employee contributions	5,137,447	(1,295,626)	(635,553)
Net change in total OPEB liability	435,559	3,260,575	(7,825,362)
Total OPEB liability - beginning	22,441,987	19,181,412	27,006,774
Total OPEB liability - ending	\$ 22,877,546	\$ 22,441,987	\$ 19,181,412
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%
Covered payroll	\$ 9,508,131	\$ 9,517,658	\$ 8,254,771
Net OPEB liability as a percentage of covered payroll	240.61%	235.79%	232.37%
<u>Schedule of Contributions</u>			
	<u>Primary Government</u>	<u>Primary Government</u>	<u>Primary Government</u>
Actuarially determined contribution	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	(686,375)	(657,746)	(620,990)
Contribution deficiency (excess)	<u>\$ (686,375)</u>	<u>\$ (657,746)</u>	<u>\$ (620,990)</u>
Covered payroll	\$ 9,508,131	\$ 9,517,658	\$ 8,254,771
Contributions as a percentage of covered payroll	7.22%	6.91%	7.52%

These schedules are intended to present information for a ten-year period. As updated information becomes available, additional years will be presented.