

CITY OF SPRINGFIELD, ILLINOIS
WATER FUND
(AN ENTERPRISE FUND OF THE CITY OF SPRINGFIELD)

ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED
FEBRUARY 28, 2023

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**WATER FUND
CITY OF SPRINGFIELD, ILLINOIS**

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INDEPENDENT AUDITORS' REPORT

This section includes the opinion of the Fund's independent auditing firm.



INDEPENDENT AUDITORS' REPORT

July 28, 2023

Members of the City Council
Water Fund
City of Springfield, Illinois

Opinions

We have audited the accompanying financial statements of the Water Fund, an enterprise fund of the City of Springfield, Illinois, as of and for the year ended February 28, 2023, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Water Fund, an enterprise fund of the City of Springfield, Illinois, as of and for the year ended February 28, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedules, and GASB-required pension and other post-employment benefit (OPEB) reporting, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Water Fund
City of Springfield, Illinois
July 28, 2023

Supplementary Information

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

Lauterbach & Amen, LLP
LAUTERBACH & AMEN, LLP

BASIC FINANCIAL STATEMENTS

WATER FUND
CITY OF SPRINGFIELD, ILLINOIS

Statement of Net Position
February 28, 2023

See Following Page

WATER FUND
CITY OF SPRINGFIELD, ILLINOIS

Statement of Net Position
February 28, 2023

| ASSETS | |
|---|--------------------|
| Current Assets | |
| Cash and Investments | \$ 5,880,082 |
| Receivables - Net of Allowances | |
| Accounts | |
| Billed | 2,321,463 |
| Unbilled | 930,307 |
| Leases | 211,588,426 |
| Due from Primary Government | 864,514 |
| Other Assets | 15,810 |
| Inventories | 2,743,454 |
| Prepays | 266,373 |
| Total Current Assets | <u>224,610,429</u> |
| Restricted Assets | |
| Restricted Cash and Investments | 16,979,581 |
| Accrued Interest | 2,607 |
| Total Restricted Assets | <u>16,982,188</u> |
| Noncurrent Assets | |
| Capital Assets | |
| Property, Plant and Equipment | |
| Construction in Progress | 2,540,168 |
| Plant Capital Assets | 304,067,854 |
| Accumulated Depreciation | (91,620,163) |
| Total Property, Plant and Equipment | <u>214,987,859</u> |
| Auxiliary Service Property | |
| Nondepreciable | 1,566,977 |
| Depreciable | 7,471,298 |
| Accumulated Depreciation | (5,027,502) |
| Total Auxiliary Service Property | <u>4,010,773</u> |
| Nonutility Property - Hunter Lake | |
| Nondepreciable | 24,628,213 |
| Total Capital Assets | <u>243,626,845</u> |
| Other Assets | |
| Unamortized Debt Issuance Costs | 189,987 |
| Total Noncurrent Assets | <u>243,816,832</u> |
| Total Assets | <u>485,409,449</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred Items - IMRF | 9,109,597 |
| Deferred Items - RBP | 993,645 |
| Unamortized Loss on Refunding | 244,043 |
| Total Deferred Outflows of Resources | <u>10,347,285</u> |
| Total Assets and Deferred Outflows of Resources | <u>495,756,734</u> |

The notes to the financial statements are an integral part of this statement.

LIABILITIES

| | |
|--|--------------------|
| Current Liabilities | |
| Accounts Payable | \$ 2,575,266 |
| Unearned Revenues | 29,146 |
| Accrued Payroll | 360,788 |
| Due to Primary Government | 3,350,810 |
| Current Portion of Long-Term Liabilities | |
| Other Payables | 71,497 |
| Compensated Absences | 731,253 |
| IEPA Loans Payable | 203,615 |
| Total Current Liabilities | <u>7,322,375</u> |
| Current Liabilities Payable from Restricted Assets | |
| Accounts Payable | 229,914 |
| Revenue Bonds Payable | 2,960,000 |
| Loans Payable | 190,550 |
| Accrued Interest Payable | 74,787 |
| Total Current Liabilities Payable from Restricted Assets | <u>3,455,251</u> |
| Noncurrent Liabilities | |
| Other Payables | 150,722 |
| Compensated Absences Payable | 375,047 |
| Net Pension Liability - IMRF | 14,276,437 |
| Total OPEB Liability - RBP | 18,813,499 |
| Revenue Bonds Payable | 70,960,958 |
| IEPA Loans Payable | 1,295,323 |
| Loans Payable | 539,801 |
| Total Noncurrent Liabilities | <u>106,411,787</u> |
| Total Liabilities | <u>117,189,413</u> |

DEFERRED INFLOWS OF RESOURCES

| | |
|---|--------------------|
| Deferred Items - IMRF | 74,778 |
| Deferred Items - RBP | 10,639,715 |
| Leases | 210,227,504 |
| Unamortized Gain on Refunding | 2,464,756 |
| Total Deferred Inflows of Resources | <u>223,406,753</u> |
| Total Liabilities and Deferred Inflows of Resources | <u>340,596,166</u> |

NET POSITION

| | |
|--|---------------------------|
| Net Investment in Capital Assets | 176,360,437 |
| Restricted - Debt Service | 2,203,368 |
| Restricted - System Repairs and Improvements | 5,587,670 |
| Unrestricted | <u>(28,990,907)</u> |
| Total Net Position | <u>155,160,568</u> |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | <u><u>495,756,734</u></u> |

The notes to the financial statements are an integral part of this statement.

WATER FUND
CITY OF SPRINGFIELD, ILLINOIS

Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended February 28, 2023

| | |
|---|---------------|
| Operating Revenues | |
| Charges for Services | \$ 26,433,850 |
| Operating Expenses | |
| Source of Supply | 760,792 |
| Pumping | 1,320,507 |
| Purification | 5,376,554 |
| Distribution | 6,255,095 |
| Accounting and Collection | 1,806,314 |
| Administrative and General | 1,680,769 |
| IMRF Pension | 1,312,626 |
| Other Post-Employment Benefits | (579,807) |
| Depreciation | 5,615,383 |
| Total Operating Expenses | 23,548,233 |
| Operating Income | 2,885,617 |
| Nonoperating Revenues (Expenses) | |
| Investment Income | 377,132 |
| Leases | 1,360,922 |
| Other Income (Expenses) | 43,813 |
| Auxiliary Service Property and Nonutility Property Operations | (2,257,001) |
| Interest Expense | (1,975,003) |
| | (2,450,137) |
| Income Before Transfers and Contributions | 435,480 |
| Contribution Revenue | 2,468,610 |
| Change in Net Position | 2,904,090 |
| Net Position - Beginning | 152,256,478 |
| Net Position - Ending | 155,160,568 |

The notes to the financial statements are an integral part of this statement.

WATER FUND
CITY OF SPRINGFIELD, ILLINOIS

Statement of Cash Flows
For the Fiscal Year Ended February 28, 2023

| | |
|--|--------------------------|
| Cash Flows from Operating Activities | |
| Receipts from Customers | \$ 27,754,705 |
| Payments to Employees | (17,200,031) |
| Payments to Suppliers | (328,221) |
| | <u>10,226,453</u> |
| Cash Flows from Capital and Related Financing Activities | |
| Purchase of Capital Assets | (6,456,760) |
| Auxiliary Service Property and Nonutility Property Operations - Net Contribution Revenue | (2,050,372) |
| Issuance of Debt | 2,468,610 |
| Retirement of Debt | 920,901 |
| Interest Expense | (2,409,437) |
| | <u>(1,968,307)</u> |
| | <u>(9,495,365)</u> |
| Cash Flows from Noncapital Financing Activities | |
| Changes in Leases | <u>(1,360,922)</u> |
| Cash Flows from Investing Activities | |
| Investment Income | <u>377,132</u> |
| Net Change in Cash and Cash Equivalents | (252,702) |
| Cash and Cash Equivalents | |
| Beginning | <u>23,112,365</u> |
| Ending | <u><u>22,859,663</u></u> |
| Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities | |
| Operating Income | 2,885,617 |
| Adjustments to Reconcile Operating Income to Net Income to Net Cash | |
| Provided by (Used in) Operating Activities: | |
| Depreciation and Amortization | 5,615,383 |
| Other Income | 1,404,735 |
| (Increase) Decrease in Current Assets | (83,880) |
| Increase (Decrease) in Current Liabilities | 404,598 |
| Net Cash Provided by Operating Activities | <u><u>10,226,453</u></u> |

The notes to the financial statements are an integral part of this statement.

WATER FUND
CITY OF SPRINGFIELD, ILLINOIS

Notes to the Financial Statements
February 28, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Water Fund (the 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 responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant of the Fund's accounting policies established in GAAP and used by the Fund are described below.

REPORTING ENTITY

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 cost (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 position 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.

The Fund's Board of Managers administers the fund but the City owns the Fund, approves operating revenues and expenses and has ultimate authority over Fund operations.

BASIS OF PRESENTATION

In the Statement of Net Position, the Fund's activities are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term obligations.

The Fund uses fund accounting to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The Fund utilizes a single proprietary fund. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to outside parties.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

WATER FUND
CITY OF SPRINGFIELD, ILLINOIS

Notes to the Financial Statements
February 28, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - Continued

Measurement Focus

All proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets/deferred outflows and liabilities/deferred inflows (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

The Fund’s basic financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, including an estimate of water revenue unbilled at the end of each accounting period, and expenses are recorded when the liability is incurred or economic asset used.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Fund are charges for services. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR EQUITY

Cash and Investments

For the purpose of the Statement of Net Position, the cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of purchase.

Investments are generally reported at fair value. Short-term investments are reported at cost, which approximates fair value. For investments, the Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Restricted Cash and Investments

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.

**WATER FUND
CITY OF SPRINGFIELD, ILLINOIS**

**Notes to the Financial Statements
February 28, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR EQUITY - Continued

Receivables

In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. The Fund records an allowance as not all amounts are expected to be fully collectible. The Fund reports accounts and interest as its major receivables.

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.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more, depending on asset class, are reported at historical cost or estimated historical cost. Contributed assets are reported at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation has been provided using the straight-line method over the following estimated useful lives of the assets:

| | |
|-------------------------------|----------------|
| Plant and Distribution System | 10 - 100 Years |
| Equipment | 5 - 33 Years |

Depreciation provided during the year ended February 28, 2023 was approximately 1.91 percent of depreciable utility plant at February 28, 2023.

Nonutility and Other Property

Nonutility and other property represents 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.

Deferred Outflows/Inflows of Resources

Deferred outflow/inflow of resources represents a consumption/acquisition of net assets that applies to a future period and therefore will not be recognized as an outflow of resources (expense)/inflow of resources (revenue) until that future time.

WATER FUND
CITY OF SPRINGFIELD, ILLINOIS

Notes to the Financial Statements
February 28, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR EQUITY - Continued

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.

Long-Term Obligations

In the financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses at the time of issuance.

Net Position

In the government-wide financial statements, equity is classified as net position and displayed in three components:

Net Investment in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted - All other net position balances that do not meet the definition of "restricted" or "net investment in capital assets."

The Fund considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund position is available.

WATER FUND
CITY OF SPRINGFIELD, ILLINOIS

Notes to the Financial Statements
February 28, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 nonoperating revenues and expenses. Retail revenue is billed monthly based on rates adopted by the City Council. For the year ended February 28, 2023, retail customers of the water system paid an average price of \$3.75 per 100 cubic feet of water. Retail customer class average prices for the 2023 fiscal year was as follows:

| | <u>Average Prices</u> |
|---------------|-----------------------|
| Inside City | \$3.68 |
| Outside City | 4.60 |
| Southern View | 5.15 |

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 nonexchange 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. Costs of the projects are capitalized and depreciated, or expensed as appropriate.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETARY INFORMATION

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

NOTE 3 - DETAIL NOTES ON ALL FUNDS

DEPOSITS AND INVESTMENTS

Permitted Deposits and Investments - Statutes authorize the Fund to make deposits/invest in commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, obligations of States and their political subdivisions, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services and Illinois Funds.

WATER FUND
CITY OF SPRINGFIELD, ILLINOIS

Notes to the Financial Statements
February 28, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

DEPOSITS AND INVESTMENTS - Continued

Interest Rate Risk, Credit Risk, Custodial Credit Risk, and Concentration of Credit Risk

Deposits. At year-end, the carrying amount of the Fund's deposits totaled \$16,363,676 and the bank balances totaled \$16,342,300. Additionally, at year-end, the Fund has \$6,195,097 invested in the Illinois Funds, which is measured at net asset value per share as determined by the pool, and \$300,890 in certificates of deposit, which are measured using Level 2 inputs. Debt Securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

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

| | Unrestricted | Restricted | Total |
|---------------------------|--------------|------------|------------|
| Cash and Cash Equivalents | \$ 719,702 | 15,643,974 | 16,363,676 |
| Certificates of Deposit | — | 300,890 | 300,890 |
| Illinois Funds | 5,160,380 | 1,034,717 | 6,195,097 |
| | 5,880,082 | 16,979,581 | 22,859,663 |

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the master revenue bond ordinance, the 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. At year-end, the Fund does not have any investments subject to interest rate risk.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. 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 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 Fund's investments in the Illinois Funds is rated AAmmf by Fitch Ratings and the investments in certificates of deposits ratings are not available.

WATER FUND
CITY OF SPRINGFIELD, ILLINOIS

Notes to the Financial Statements
February 28, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

DEPOSITS AND INVESTMENTS - Continued

Interest Rate Risk, Credit Risk, Custodial Credit Risk, and Concentration of Credit Risk - Continued

Custodial Credit Risk. In the case of deposits, this is the risk that, in the event of the failure of the counterparty to the investment, the Fund will not be able to recover the value of its investments that are in possession of an outside party. 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. At year end, the entire bank balance was covered by collateral, federal depository or equivalent insurance.

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of the Fund's investment in a single issuer. 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. At year-end, the Fund does not have any investments over 5 percent of the total cash and investment portfolio (other than investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments).

DUE TO/FROM PRIMARY GOVERNMENT

The following are the amounts due to/from the primary government as of year-end:

| | Due from Primary Government | Due to Primary Government |
|--------------------------|-----------------------------------|---------------------------------|
| General | \$ 841,552 | 37,221 |
| Convention and Visitors | — | 119,431 |
| Self-Insurance | — | 6,270 |
| Sewer | — | 187,888 |
| Electric Power and Light | 22,962 | 3,000,000 |
| | <u>864,514</u> | <u>3,350,810</u> |

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

WATER FUND
CITY OF SPRINGFIELD, ILLINOIS

Notes to the Financial Statements
February 28, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

CAPITAL ASSETS

Property, Plant and Equipment

Capital asset activity for the year was as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|--------------------------------|-----------------------|-------------|-----------|--------------------|
| Construction in Progress | \$ 270,867 | 6,295,315 | 4,026,014 | 2,540,168 |
| Plant Capital Assets | | | | |
| Source of Supply | 31,693,987 | — | — | 31,693,987 |
| Pumping | 63,859,631 | — | — | 63,859,631 |
| Purification | 61,189,241 | 267,094 | 259,807 | 61,196,528 |
| Distribution | 133,911,727 | 3,026,435 | 188,914 | 136,749,248 |
| General Purpose | 10,009,048 | 652,312 | 92,900 | 10,568,460 |
| | 300,663,634 | 3,945,841 | 541,621 | 304,067,854 |
| Less Accumulated Depreciation | | | | |
| Source of Supply | 8,122,216 | 241,664 | — | 8,363,880 |
| Pumping | 11,326,255 | 1,315,552 | — | 12,641,807 |
| Purification | 18,928,974 | 1,727,011 | 259,807 | 20,396,178 |
| Distribution | 40,353,713 | 1,974,289 | 188,914 | 42,139,088 |
| General Purpose | 7,815,243 | 356,867 | 92,900 | 8,079,210 |
| | 86,546,401 | 5,615,383 | 541,621 | 91,620,163 |
| Total Net Plant Capital Assets | 214,117,233 | (1,669,542) | — | 212,447,691 |
| Total Capital Assets | 214,388,100 | 4,625,773 | 4,026,014 | 214,987,859 |

WATER FUND
CITY OF SPRINGFIELD, ILLINOIS

Notes to the Financial Statements
February 28, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

CAPITAL ASSETS - Continued

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. Capital asset activity for the year was as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|--------------------------------|-----------------------|-----------|-----------|--------------------|
| Nondepreciable Capital Assets | | | | |
| Land | \$ 1,566,977 | — | — | 1,566,977 |
| Depreciable Capital Assets | | | | |
| Lake Building and Improvements | 3,538,521 | — | — | 3,538,521 |
| Park Building and Improvements | 1,533,099 | — | — | 1,533,099 |
| General Purpose | 2,337,865 | 61,813 | — | 2,399,678 |
| | 7,409,485 | 61,813 | — | 7,471,298 |
| Less Accumulated Depreciation | | | | |
| Lake Building and Improvements | 2,416,776 | 67,538 | — | 2,484,314 |
| Park Building and Improvements | 967,678 | 26,346 | — | 994,024 |
| General Purpose | 1,436,419 | 112,745 | — | 1,549,164 |
| | 4,820,873 | 206,629 | — | 5,027,502 |
| Total Net Capital Assets | 4,155,589 | (144,816) | — | 4,010,773 |

Nonutility Property - Hunter Lake

As of year-end, 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, 2023, the Water Fund has incurred a total of \$24,628,213 for the project, which includes the purchase price of the farmland and additional legal, engineering and other acquisition costs of \$8,911,213. Costs incurred for the project are classified as nonutility property, pending a final decision on the proposed project. Capital asset activity for the year was as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|-------------------------------|-----------------------|-----------|-----------|--------------------|
| Nondepreciable Capital Assets | | | | |
| Land | \$ 24,448,408 | 179,805 | — | 24,628,213 |

WATER FUND
CITY OF SPRINGFIELD, ILLINOIS

Notes to the Financial Statements
February 28, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

LEASES RECEIVABLE

The City has entered into 761 lease agreements as lessor for certain parcels of land. An initial leases receivable balance was recorded in the amount of \$211,588,426 during the current fiscal year. The City applied an incremental borrowing rate of 3.08 percent as the interest rate for the right-to-use land lessor agreements. During the fiscal year, the Water Fund has recognized \$1,360,922 of lease revenue. The leases expire at various dates through fiscal year 2122.

LONG-TERM DEBT

Revenue Bonds Payable

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. Revenue bonds currently outstanding are as follows:

| Issue | Beginning Balances | Issuances | Retirements | Ending Balances |
|--|-----------------------|-----------|-------------|--------------------|
| Revenue Bonds of 2020A, due in annual installments of \$695,000 to \$5,915,000, plus interest at 0.649% to 3.426% through March 1, 2040. | \$ 54,865,000 | — | 1,940,000 | 52,925,000 |
| Revenue Bonds of 2020B, due in annual interest payments of 3.00% through March 1, 2041, with installments of \$1,855,000 and \$6,500,000 on March 1, 2040 and March 1, 2041. | 8,355,000 | — | — | 8,355,000 |
| Revenue Bonds of 2021, due in annual installments of \$1,225,000 to \$1,345,000, plus interest at 0.41% to 1.64% through March 1, 2032. | 12,760,000 | — | — | 12,760,000 |
| | 75,980,000 | — | 1,940,000 | 74,040,000 |

WATER FUND
CITY OF SPRINGFIELD, ILLINOIS

Notes to the Financial Statements
February 28, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

LONG-TERM DEBT - Continued

Loans Payable

The City enters into loans payable for the acquisition of capital equipment. Loans payable are direct obligations and pledge the full faith and credit of the City. Loans payable currently outstanding are as follows:

| Issue | Beginning Balances | Issuances | Retirements | Ending Balances |
|--|-----------------------|-----------|-------------|--------------------|
| Loan Payable of 2022, due in annual installments of \$190,550, plus interest at 2.25% through February 15, 2027. | \$ — | 920,901 | 190,550 | 730,351 |

IEPA Loans Payable

The Fund has entered into loan agreements with the IEPA to provide low interest financing for waterworks and sewerage improvements. IEPA loans currently outstanding are as follows:

| Issue | Beginning Balances | Issuances | Retirements | Ending Balances |
|---|-----------------------|-----------|-------------|--------------------|
| Illinois Environmental Protection Agency (IEPA) Loan Payable of 2001, due in annual installments of \$152,557 including interest at 2.675% through April 28, 2022. | \$ 75,272 | — | 75,272 | — |
| Illinois Environmental Protection Agency (IEPA) Loan Payable of 2011A, due in annual installments of \$174,731 through November 3, 2030. | 1,572,579 | — | 174,731 | 1,397,848 |
| Illinois Environmental Protection Agency (IEPA) Loan Payable of 2011B, due in annual installments of \$28,884 through June 2, 2026. | 129,974 | — | 28,884 | 101,090 |
| | 1,777,825 | — | 278,887 | 1,498,938 |

WATER FUND
CITY OF SPRINGFIELD, ILLINOIS

Notes to the Financial Statements
February 28, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

LONG-TERM DEBT - Continued

Debt Service Requirements to Maturity

The annual debt service requirements to maturity, including principal and interest, are as follows:

| Fiscal Year | Business-Type Activities | | | | | |
|----------------|--------------------------|------------|---------------|----------|------------------|----------|
| | Revenue Bonds | | IEPA Loans | | Loans Payable | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2024 | \$ 2,960,000 | 1,917,297 | 203,615 | — | 190,550 | 16,661 |
| 2025 | 2,640,000 | 1,890,941 | 203,615 | — | 190,550 | 12,348 |
| 2026 | 2,355,000 | 1,863,734 | 203,615 | — | 190,550 | 7,967 |
| 2027 | 2,515,000 | 1,835,063 | 189,169 | — | 158,701 | 3,621 |
| 2028 | 2,690,000 | 1,800,137 | 174,731 | — | — | — |
| 2029 | 2,870,000 | 1,756,731 | 174,731 | — | — | — |
| 2030 | 3,065,000 | 1,706,416 | 174,731 | — | — | — |
| 2031 | 3,275,000 | 1,648,670 | 174,731 | — | — | — |
| 2032 | 3,500,000 | 1,581,186 | — | — | — | — |
| 2033 | 5,265,000 | 1,503,014 | — | — | — | — |
| 2034 | 4,195,000 | 1,385,635 | — | — | — | — |
| 2035 | 4,480,000 | 1,267,630 | — | — | — | — |
| 2036 | 4,820,000 | 1,137,127 | — | — | — | — |
| 2037 | 5,170,000 | 971,994 | — | — | — | — |
| 2038 | 5,530,000 | 794,870 | — | — | — | — |
| 2039 | 5,915,000 | 605,412 | — | — | — | — |
| 2040 | 6,295,000 | 402,768 | — | — | — | — |
| 2041 | 6,500,000 | 195,000 | — | — | — | — |
| Totals | 74,040,000 | 24,263,625 | 1,498,938 | — | 730,351 | 40,597 |

WATER FUND
CITY OF SPRINGFIELD, ILLINOIS

Notes to the Financial Statements
February 28, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

LONG-TERM DEBT - Continued

Revenue Bond Disclosures

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

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.

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.

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.

Water Rebate Account. Established to account for funds required to be deposited in order for the interest paid on the water revenue 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.

Improvement Accounts. Established to account for unexpended proceeds from the Series 2012 and 2020 Bonds to be used to finance certain improvements to the municipal waterworks system, including the relocation of the water distribution facility.

WATER FUND
CITY OF SPRINGFIELD, ILLINOIS

Notes to the Financial Statements
February 28, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

LONG-TERM DEBT - Continued

Revenue Bond Disclosures - Continued

| | 2020 Bond and Interest | 2021 Bond and Interest | 2020 Debt Service Reserve | 2021 Debt Service Reserve |
|---|---------------------------|---|---------------------------------|------------------------------------|
| Cash and Investments - Beginning | \$ 717,766 | 180,007 | 926,046 | 73,630 |
| Additions (Deductions) | | | | |
| Interest Income | 31,608 | 12,770 | 12,283 | 1,024 |
| Compliance Deposits | 3,730,392 | 1,371,792 | — | — |
| Loans Proceeds | — | — | — | — |
| Principal and Interest Payments | (3,730,393) | (73,398) | — | — |
| Transfers (to) from Unrestricted Accounts | — | — | — | — |
| Cash and Investments - Ending | <u>749,373</u> | <u>1,491,171</u> | <u>938,329</u> | <u>74,654</u> |
| | Emergency Repair | Renewal Replacement and Improvement | Water Rebate | CWLP Commercial Vehicle Fund |
| Cash and Investments - Beginning | \$ 1,005,514 | 5,549,283 | 5,291 | — |
| Additions (Deductions) | | | | |
| Interest Income | 23,787 | 52,756 | 125 | 2,228 |
| Compliance Deposits | — | 2,459,610 | — | — |
| Loan Proceeds | — | — | — | 920,613 |
| Principal and Interest Payments | — | — | — | — |
| Transfers (to) from Unrestricted Accounts | — | (3,780,674) | — | (419,560) |
| Cash and Investments - Ending | <u>1,029,301</u> | <u>4,280,975</u> | <u>5,416</u> | <u>503,281</u> |
| | 2012 Water Improvement | 2020 Water Improvement | Totals | |
| Cash and Investments - Beginning | \$ 1,031,978 | 8,034,942 | 17,524,457 | |
| Additions (Deductions) | | | | |
| Interest Income | 7,943 | 109,224 | 253,748 | |
| Compliance Deposits | — | — | 7,561,794 | |
| Loan Proceeds | — | — | 920,613 | |
| Principal and Interest Payments | — | — | (3,803,791) | |
| Transfers (to) from Unrestricted Accounts | (1,037,274) | (9,818) | (5,247,326) | |
| Cash and Investments - Ending | <u>2,647</u> | <u>8,134,348</u> | 17,209,495 | |
| Unrestricted Portion 2012 Water Improvement | | | (229,914) | |
| Accrued Interest | | | <u>2,607</u> | |
| Total Restricted Assets | | | <u>16,982,188</u> | |

WATER FUND
CITY OF SPRINGFIELD, ILLINOIS

Notes to the Financial Statements
February 28, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

LONG-TERM DEBT - Continued

Revenue Bond Disclosures - 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 3).
- 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, 2023, the City was in compliance with the debt covenants of the bond ordinances. Net revenue equaled 2.34 times the principal and interest.

WATER FUND
CITY OF SPRINGFIELD, ILLINOIS

Notes to the Financial Statements
February 28, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

LONG-TERM LIABILITY ACTIVITY

Changes in long-term liabilities during the fiscal year were as follows:

| Type of Liability | Beginning Balances | Additions | Deduction | Ending Balances | Current Portion |
|--------------------------------------|-----------------------|------------|-----------|--------------------|--------------------|
| Other Payables | \$ 247,116 | 68,542 | 93,439 | 222,219 | 71,497 |
| Compensated Absences | 1,117,329 | 976,414 | 987,443 | 1,106,300 | 731,253 |
| Net Pension Liability/(Asset) - IMRF | (9,140,671) | 23,417,108 | — | 14,276,437 | — |
| Total OPEB Liability - RBP | 24,200,846 | — | 5,387,347 | 18,813,499 | — |
| Revenue Bonds | 75,980,000 | — | 1,940,000 | 74,040,000 | 2,960,000 |
| Unamortized Bond Discount | (125,738) | — | (6,696) | (119,042) | — |
| IEPA Loans | 1,777,825 | — | 278,887 | 1,498,938 | 203,615 |
| Loans Payable | — | 920,901 | 190,550 | 730,351 | 190,550 |
| | 94,056,707 | 25,382,965 | 8,870,970 | 110,568,702 | 4,156,915 |

NET INVESTMENT IN CAPITAL ASSETS

| | |
|--|----------------|
| Capital Assets - Net of Accumulated Depreciation | \$ 243,626,845 |
| Plus: Unspent Bond Proceeds | 8,883,839 |
| Less Capital Related Debt: | |
| Revenue Bonds | (74,040,000) |
| IEPA Loans | (1,498,938) |
| Loans Payable | (730,351) |
| Unamortized Discount | 119,042 |
| Net Investment in Capital Assets | 176,360,437 |

WATER FUND
CITY OF SPRINGFIELD, ILLINOIS

Notes to the Financial Statements
February 28, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS - Continued

PLEDGED 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 2018, 2020 and 2021. 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 \$98,303,625 as of February 28, 2023. 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 2023, the total principal and interest paid and total net revenues were \$3,803,792 and \$11,928,384, respectively.

NOTE 4 - OTHER INFORMATION

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.

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 year ended February 28, 2023, 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 year ended February 28, 2023, the Water Fund's allocated portion of these shared service expenses totaled \$188,531. The Water Fund provides information technology and support services to the General (Corporate) Fund and certain other City funds at no charge.

WATER FUND
CITY OF SPRINGFIELD, ILLINOIS

Notes to the Financial Statements
February 28, 2023

NOTE 4 - OTHER INFORMATION - Continued

RISK MANAGEMENT

The Fund is exposed to various types of risk including, but not limited to, property/casualty losses, workers compensation, employee health and public officials' liability. The Fund is insured for these losses through the City's Self Insurance Fund. Additional information regarding the limits of exposure can be found in the City's Annual Comprehensive Financial Report for the year ended February 28, 2023.

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

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. Changes in the balances of claims liabilities are as follows:

| | 2023 | 2022 |
|----------------------------|------------|-----------|
| Claims Payable - Beginning | \$ 235,181 | 273,214 |
| Incurred Claims | 68,542 | 345,022 |
| Claims Paid | (93,439) | (383,055) |
| Claims Payable - Ending | 210,284 | 235,181 |

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, 2023, 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, 2023, the amount on deposit in the System's Insurance Reserve Account was \$1,029,298.

WATER FUND
CITY OF SPRINGFIELD, ILLINOIS

Notes to the Financial Statements
February 28, 2023

NOTE 4 - OTHER INFORMATION - Continued

RISK MANAGEMENT - Continued

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.

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, passed in March 2018 for \$1,452,558, was supplemented by Ordinance 003-01-21 in January 2021. This allowed for additional spending of \$148,200, bringing the total for the project to \$1,600,758. As of February 28, 2023, the amount remaining on this contract was \$23,072.

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, 2023, \$500,097 remained outstanding on the contract and \$60,000 was being held as retainage on the project.

A contract with Petersburg Plumbing & Excavating (Ordinance 178-05-21) was passed in May 2021 for Lead Water Service Line Replacement Project for \$4 million. As of February 28, 2023, \$3,183,592 remained outstanding on the contract and \$74,356 was being held as retainage on this project.

A contract with Petersburg Plumbing & Excavating (Ordinance 148-04-22) was passed in April 2022 for Water Service Line Pothole Project for \$1 million. As of February 28, 2023, \$913,844 remained outstanding on the contract and \$10,483 was being held as retainage on this project.

CONTINGENT LIABILITIES

Litigation

The Fund is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Fund's attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the Fund.

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Fund expects such amounts, if any, to be immaterial.

WATER FUND
CITY OF SPRINGFIELD, ILLINOIS

Notes to the Financial Statements
February 28, 2023

NOTE 4 - OTHER INFORMATION - Continued

EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLAN

The City, as a whole, contributes to three defined benefit pension plans. The Fund only contributes to the Illinois Municipal Retirement Fund (IMRF), a defined benefit agent multiple-employer public employee retirement system. Participating employees are covered by the Illinois Municipal Retirement Fund (IMRF) through the City. IMRF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole, but not by individual employer. That report may be obtained online at www.imrf.org. The benefits, benefit levels, employee contributions, and employer contributions are governed by Illinois Compiled Statutes (ILCS) and can only be amended by the Illinois General Assembly.

The 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 Fund combined. All disclosures for an agent plan can be found in the City's Annual Comprehensive Financial Report. Contributions are paid by the City and are reimbursed by the Fund.

Plan Descriptions

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

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

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

WATER FUND
CITY OF SPRINGFIELD, ILLINOIS

Notes to the Financial Statements
February 28, 2023

NOTE 4 - OTHER INFORMATION - Continued

EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLAN - Continued

Plan Descriptions - Continued

Plan Membership. As of December 31, 2022, the measurement date, membership for the entire City consisted of:

| | |
|--|---------------------|
| Inactive Plan Members Currently Receiving Benefits | 1,741 |
| Inactive Plan Members Entitled to but not yet Receiving Benefits | 418 |
| Active Plan Members | <u>861</u> |
| Total | <u><u>3,020</u></u> |

Contributions. As set by statute, the regular plan members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. For the year-ended February 28, 2023, the Fund's contribution was 12.78% of covered payroll.

Net Pension Liability/(Asset). The City's net pension liability/(asset) was measured as of December 31, 2022. The total pension liability used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation performed, as of December 31, 2022, using the following actuarial methods and assumptions:

| | |
|----------------------------|---------------------|
| Actuarial Cost Method | Entry Age Normal |
| Asset Valuation Method | Fair Value |
| Actuarial Assumptions | |
| Interest Rate | 7.25% |
| Salary Increases | 2.85% to 13.75% |
| Cost of Living Adjustments | 2.75% |
| Inflation | 2.25% |

WATER FUND
CITY OF SPRINGFIELD, ILLINOIS

Notes to the Financial Statements
February 28, 2023

NOTE 4 - OTHER INFORMATION - Continued

EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLAN - Continued

Plan Descriptions - Continued

Actuarial Assumptions - Continued. For nondisabled 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.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target | Long-Term Expected Real Rate of Return |
|---------------------------|--------|--|
| Fixed Income | 25.50% | 4.90% |
| Domestic Equities | 35.50% | 6.50% |
| International Equities | 18.00% | 7.60% |
| Real Estate | 10.50% | 6.20% |
| Blended | 9.50% | 6.25% - 9.90% |
| Cash and Cash Equivalents | 1.00% | 4.00% |

WATER FUND
CITY OF SPRINGFIELD, ILLINOIS

Notes to the Financial Statements
February 28, 2023

NOTE 4 - OTHER INFORMATION - Continued

EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLAN - Continued

Discount Rate

The discount rate used to measure the total pension liability was 7.25%, the same as the prior valuation. 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 City contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate. Based on those assumptions, the Fund'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 rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Discount Rate Sensitivity

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

| | 1% Decrease (6.25%) | Current Rate (7.25%) | 1% Increase (8.25%) |
|-----------------------|------------------------|----------------------------|------------------------|
| Net Pension Liability | \$ 26,135,309 | 14,276,437 | 4,681,404 |

Changes in the Net Pension Liability/(Asset)

At February 28, 2023, the Fund reported a liability of \$14,276,437, for its proportionate share of the net pension liability. The Fund's proportion of the net pension liability was based on the Fund's actual contributions to the plan for the year ended February 28, 2023, relative to the actual contributions of the City as a whole. At February 28, 2023, the Fund's proportion was 14.45% of the total contribution.

WATER FUND
CITY OF SPRINGFIELD, ILLINOIS

Notes to the Financial Statements
February 28, 2023

NOTE 4 - OTHER INFORMATION - Continued

EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLAN - Continued

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

For the year ended February 28, 2023, the Fund recognized pension expense of \$2,537,456. At February 28, 2023, the Fund reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred (Inflows) of Resources | Totals |
|--|--------------------------------------|---------------------------------------|-----------|
| Difference Between Expected and Actual Experience | \$ 909,843 | — | 909,843 |
| Change in Assumptions | — | (74,778) | (74,778) |
| Net Difference Between Projected and Actual | | | |
| Earnings on Pension Plan Investments | 8,055,276 | — | 8,055,276 |
| Total Expense to be Recognized in Future Periods | 8,965,119 | (74,778) | 8,890,341 |
| Contributions Made Subsequent to the Measurement Date | 144,478 | — | 144,478 |
| Total Deferred Amounts Related to IMRF | 9,109,597 | (74,778) | 9,034,819 |

\$144,478 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the reporting year ended February 29, 2024.

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

| Fiscal Year | Net Deferred Outflows/ (Inflows) of Resources |
|----------------|--|
| 2024 | \$ (284,554) |
| 2025 | 1,611,143 |
| 2026 | 2,739,320 |
| 2027 | 4,824,432 |
| 2028 | — |
| Thereafter | — |
| Totals | 8,890,341 |

WATER FUND
CITY OF SPRINGFIELD, ILLINOIS

Notes to the Financial Statements
February 28, 2023

NOTE 4 - OTHER INFORMATION - Continued

OTHER POST-EMPLOYMENT BENEFITS

General Information about the OPEB Plan

Plan Description. The City's defined benefit OPEB plan, Retiree Benefits Plan (RBP), is a single-employer defined benefit OPEB plan administered by the City. Retired employees of the City of Springfield and their dependents are eligible to participate in the plan. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the City Council. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided. RBP 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. As of February 28, 2023, the measurement date, membership for the entire City consisted of:

| | |
|--|--------------------|
| Inactive Plan Members Currently Receiving Benefits | 531 |
| Inactive Plan Members Entitled to but not yet Receiving Benefits | — |
| Active Plan Members | <u>1253</u> |
| Total | <u><u>1784</u></u> |

Total OPEB Liability

The City's total OPEB liability was measured as of February 28, 2023, and was determined by an actuarial valuation as of the same date.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the February 28, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|--|---|
| Inflation | 2.25% |
| Salary Increases | 2.75% |
| Discount Rate | 4.06% |
| Healthcare Cost Trend Rates | Initial rate of 5.50%, grading down to the ultimate trend rate of 5.00% |
| Retirees' Share of Benefit-Related Costs | 100% of the benefit costs |

The discount rate was based on an index of 20-year general obligation bonds with an average AA credit rating.

WATER FUND
CITY OF SPRINGFIELD, ILLINOIS

Notes to the Financial Statements
February 28, 2023

NOTE 4 - OTHER INFORMATION - Continued

OTHER POST-EMPLOYMENT BENEFITS - Continued

Total OPEB Liability - Continued

Actuarial Assumptions and Other Inputs - Continued. Mortality rates were based on the Sex Distinct Raw Rates as developed in the RP-2014 Study, with Blue Collar Adjustment. These rates are then improved generationally using MP-2016 Improvement Rates.

Change in the Total OPEB Liability

| | Water Fund OPEB Liability |
|---|---------------------------------|
| | <u> </u> |
| Balance at February 28, 2022 | \$ 24,200,846 |
| Changes for the Year: | |
| Service Cost | 826,316 |
| Interest on the Total OPEB Liability | 523,626 |
| Difference Between Expected and Actual Experience | — |
| Changes of Assumptions or Other Inputs | (6,170,259) |
| Benefit Payments | (567,030) |
| Net Changes | <u>(5,387,347)</u> |
| Balance at February 28, 2023 | <u>18,813,499</u> |

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

The discount rate used to measure the total pension liability was 4.06%, while the prior valuation used 2.37%. The following presents the total OPEB liability of the Water Fund, calculated using the discount rate, as well as what the total OPEB liability of the Fund would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher:

| | 1% Decrease (3.06%) | Current Discount Rate (4.06%) | 1% Increase (5.06%) |
|----------------------|-----------------------------|-------------------------------------|------------------------|
| | <u> </u> | | |
| Total OPEB Liability | \$ 22,487,381 | 18,813,499 | 15,965,470 |

WATER FUND
CITY OF SPRINGFIELD, ILLINOIS

Notes to the Financial Statements
February 28, 2023

NOTE 4 - OTHER INFORMATION - Continued

OTHER POST-EMPLOYMENT BENEFITS - Continued

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

The following presents the total OPEB liability of the Water Fund, calculated using a variable Healthcare Trend Rate, as well as what the total OPEB liability of the Fund would be if it were calculated using a Healthcare Trend Rate that is one percentage point lower or one percentage point higher:

| | | 1% Decrease (Varies) | Healthcare Cost Trend Rates (Varies) | 1% Increase (Varies) |
|----------------------|----|-------------------------|---|-------------------------|
| Total OPEB Liability | \$ | 15,739,138 | 18,813,499 | 22,855,777 |

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

For the year ended February 28, 2023, the Water Fund recognized OPEB revenue of \$12,777. At February 28, 2023, the Fund reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | | Deferred Outflows of Resources | Deferred Inflows of Resources | Totals |
|---|----|--------------------------------------|-------------------------------------|-------------|
| Difference Between Expected and Actual Experience | \$ | — | (601,670) | (601,670) |
| Change in Assumptions | | 993,645 | (10,038,045) | (9,044,400) |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | | — | — | — |
| Total Deferred Amounts Related to OPEB | | 993,645 | (10,639,715) | (9,646,070) |

WATER FUND
CITY OF SPRINGFIELD, ILLINOIS

Notes to the Financial Statements
February 28, 2023

NOTE 4 - OTHER INFORMATION - Continued

OTHER POST-EMPLOYMENT BENEFITS - Continued

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

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

| <u>Fiscal Year</u> | <u>Net Deferred (Inflows) of Resources</u> |
|------------------------|--|
| 2024 | \$ (2,140,525) |
| 2025 | (2,140,525) |
| 2026 | (1,577,081) |
| 2027 | (787,662) |
| 2028 | (885,095) |
| Thereafter | <u>(2,115,182)</u> |
| Total | <u><u>(9,646,070)</u></u> |

REQUIRED SUPPLEMENTARY INFORMATION

WATER FUND
CITY OF SPRINGFIELD, ILLINOIS

Illinois Municipal Retirement Fund
Schedule of Employer Contributions
February 28, 2023

| Fiscal Year | Actuarially Determined Contribution | Contributions in Relation to the Actuarially Determined Contribution | Contribution Excess/ (Deficiency) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|-------------|-------------------------------------|--|-----------------------------------|-----------------|--|
| 2016 | \$ 1,492,549 | \$ 1,492,549 | \$ — | \$ 9,574,141 | 15.59% |
| 2017 | 1,545,434 | 1,545,434 | — | 9,760,133 | 15.83% |
| 2018 | 1,493,065 | 1,493,065 | — | 9,598,110 | 15.56% |
| 2019 | 1,432,435 | 1,432,435 | — | 9,187,083 | 15.59% |
| 2020 | 1,272,997 | 1,272,997 | — | 9,196,343 | 13.84% |
| 2021 | 1,493,031 | 1,493,031 | — | 9,149,695 | 16.32% |
| 2022 | 1,440,691 | 1,440,691 | — | 9,234,511 | 15.60% |
| 2023 | 1,224,829 | 1,224,829 | — | 9,583,408 | 12.78% |

Notes to the Required Supplementary Information:

| | |
|-------------------------------|--|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level % Pay (Closed) |
| Remaining Amortization Period | 21 Years |
| Asset Valuation Method | 5-Year Smoothed Fair Value |
| Inflation | 2.25% |
| Salary Increases | 2.85% to 13.75%, Including |
| Investment Rate of Return | 7.25% |
| Retirement Age | See the Notes to the Financial Statements |
| Mortality | 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. |

Note:

This schedule is intended to show information for ten years. Information for additional years will be displayed as it becomes available.

WATER FUND
CITY OF SPRINGFIELD, ILLINOIS

Illinois Municipal Retirement Fund
Schedule of the Fund's Proportionate Share of the Net Pension Liability/(Asset)
February 28, 2023

| | <u>12/31/15</u> |
|---|-----------------|
| Water's Proportion of Net Pension Liability/(Asset) | 13.49% |
| Water's Proportionate Share of Net Pension Liability/(Asset) | \$ 14,301,049 |
| Water's Covered-Employee Payroll | 9,678,215 |
| Water's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll | 147.77% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/(Asset) | 83.47% |

Note:

This schedule is intended to show information for ten years. Information for additional years will be displayed as it becomes available.

| 12/31/16 | 12/31/17 | 12/31/18 | 12/31/19 | 12/31/20 | 12/31/21 | 12/31/22 |
|------------|-----------|------------|-----------|-----------|-------------|------------|
| 13.48% | 13.62% | 13.14% | 12.97% | 13.58% | 13.93% | 14.45% |
| 14,497,045 | 5,293,078 | 16,674,394 | 8,279,277 | 1,219,551 | (9,140,671) | 14,276,437 |
| 9,729,319 | 9,441,153 | 9,612,199 | 9,258,717 | 9,176,952 | 9,174,702 | 9,582,835 |
| 149.00% | 56.06% | 173.47% | 89.42% | 13.29% | (99.63%) | 148.98% |
| 83.70% | 93.92% | 81.72% | 91.30% | 98.66% | 108.72% | 86.95% |

WATER FUND
CITY OF SPRINGFIELD, ILLINOIS

Retiree Benefit Plan

Schedule of Fund's Proportionate Share of the Total OPEB Liability and Related Ratios
February 28, 2023

| | 2/28/19 | 2/29/20 | 2/28/21 | 2/28/22 | 2/28/23 |
|--|--------------|-------------|-------------|-------------|-------------|
| Total OPEB Liability | | | | | |
| Service Cost | \$ 950,107 | 1,206,145 | (5,747,169) | 1,489,385 | 826,316 |
| Interest | 1,046,937 | 1,643,109 | (3,838,636) | 985,986 | 523,626 |
| Changes in Benefit Terms | — | — | — | — | — |
| Differences Between Expected and Actual Experience | — | (1,055,414) | — | (713,046) | — |
| Change of Assumptions or Other Inputs | (9,186,853) | 2,762,361 | 4,883,917 | 575,507 | (6,170,259) |
| Benefit Payments | (635,553) | (1,295,626) | 5,137,447 | (1,014,532) | (567,030) |
| Net Change in Total OPEB Liability | (7,825,362) | 3,260,575 | 435,559 | 1,323,300 | (5,387,347) |
| Total OPEB Liability - Beginning | 27,006,774 | 19,181,412 | 22,441,987 | 22,877,546 | 24,200,846 |
| Total OPEB Liability - Ending | 19,181,412 | 22,441,987 | 22,877,546 | 24,200,846 | 18,813,499 |
| Covered-Employee Payroll | \$ 8,254,771 | 9,517,658 | 9,508,131 | 9,357,244 | 9,282,295 |
| Total OPEB Liability as a Percentage of Covered-Employee Payroll | 232.37% | 235.79% | 240.61% | 258.63% | 202.68% |

Notes:

This schedule is intended to show information for ten years. Information for additional years will be displayed as it becomes available.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Changes of Assumptions. Change of assumption related to the discount rate were made in 2019 through 2023.

SUPPLEMENTAL SCHEDULES

WATER FUND
CITY OF SPRINGFIELD, ILLINOIS

Long-Term Debt Requirements
Water Revenue Bonds of 2020A
February 28, 2023

| | |
|-------------------------|-------------------------|
| Date of Issue | November 12, 2020 |
| Date of Maturity | March 1, 2040 |
| Authorized Issue | \$57,740,000 |
| Interest Rate | 0.649% - 3.426% |
| Interest Dates | March 1 and September 1 |
| Principal Maturity Date | March 1 |
| Payable at | US Bank |

CURRENT AND LONG-TERM PRINCIPAL AND INTEREST REQUIREMENTS

| Fiscal Year | Requirements | | |
|----------------|-------------------|-------------------|-------------------|
| | Principal | Interest | Totals |
| 2024 | \$ 1,735,000 | 1,522,361 | 3,257,361 |
| 2025 | 1,410,000 | 1,502,391 | 2,912,391 |
| 2026 | 1,115,000 | 1,484,329 | 2,599,329 |
| 2027 | 1,265,000 | 1,467,303 | 2,732,303 |
| 2028 | 1,425,000 | 1,446,089 | 2,871,089 |
| 2029 | 1,595,000 | 1,418,116 | 3,013,116 |
| 2030 | 1,775,000 | 1,384,733 | 3,159,733 |
| 2031 | 1,965,000 | 1,345,452 | 3,310,452 |
| 2032 | 2,170,000 | 1,298,037 | 3,468,037 |
| 2033 | 3,920,000 | 1,241,335 | 5,161,335 |
| 2034 | 4,195,000 | 1,134,985 | 5,329,985 |
| 2035 | 4,480,000 | 1,016,980 | 5,496,980 |
| 2036 | 4,820,000 | 886,477 | 5,706,477 |
| 2037 | 5,170,000 | 721,344 | 5,891,344 |
| 2038 | 5,530,000 | 544,220 | 6,074,220 |
| 2039 | 5,915,000 | 354,762 | 6,269,762 |
| 2040 | 4,440,000 | 152,118 | 4,592,118 |
| | <u>52,925,000</u> | <u>18,921,032</u> | <u>71,846,032</u> |

WATER FUND
CITY OF SPRINGFIELD, ILLINOIS

Long-Term Debt Requirements
Water Revenue Bonds of 2020B
February 28, 2023

| | |
|-------------------------|-------------------------|
| Date of Issue | November 12, 2020 |
| Date of Maturity | March 1, 2041 |
| Authorized Issue | \$8,355,000 |
| Interest Rate | 3.00% |
| Interest Dates | March 1 and September 1 |
| Principal Maturity Date | March 1 |
| Payable at | US Bank |

CURRENT AND LONG-TERM PRINCIPAL AND INTEREST REQUIREMENTS

| Fiscal Year | Requirements | | |
|----------------|------------------|------------------|-------------------|
| | Principal | Interest | Totals |
| 2024 | \$ — | 250,650 | 250,650 |
| 2025 | — | 250,650 | 250,650 |
| 2026 | — | 250,650 | 250,650 |
| 2027 | — | 250,650 | 250,650 |
| 2028 | — | 250,650 | 250,650 |
| 2029 | — | 250,650 | 250,650 |
| 2030 | — | 250,650 | 250,650 |
| 2031 | — | 250,650 | 250,650 |
| 2032 | — | 250,650 | 250,650 |
| 2033 | — | 250,650 | 250,650 |
| 2034 | — | 250,650 | 250,650 |
| 2035 | — | 250,650 | 250,650 |
| 2036 | — | 250,650 | 250,650 |
| 2037 | — | 250,650 | 250,650 |
| 2038 | — | 250,650 | 250,650 |
| 2039 | — | 250,650 | 250,650 |
| 2040 | 1,855,000 | 250,650 | 2,105,650 |
| 2041 | 6,500,000 | 195,000 | 6,695,000 |
| | <u>8,355,000</u> | <u>4,456,050</u> | <u>12,811,050</u> |

WATER FUND
CITY OF SPRINGFIELD, ILLINOIS

Long-Term Debt Requirements
Water Revenue Bonds of 2021
February 28, 2023

| | |
|-------------------------|-------------------------|
| Date of Issue | December 1, 2021 |
| Date of Maturity | March 1, 2032 |
| Authorized Issue | \$12,760,000 |
| Interest Rate | 0.41% - 1.64% |
| Interest Dates | March 1 and September 1 |
| Principal Maturity Date | March 1 |
| Payable at | US Bank |

CURRENT AND LONG-TERM PRINCIPAL AND INTEREST REQUIREMENTS

| Fiscal Year | Requirements | | |
|----------------|-------------------|----------------|-------------------|
| | Principal | Interest | Totals |
| 2024 | \$ 1,225,000 | 144,286 | 1,369,286 |
| 2025 | 1,230,000 | 137,900 | 1,367,900 |
| 2026 | 1,240,000 | 128,755 | 1,368,755 |
| 2027 | 1,250,000 | 117,110 | 1,367,110 |
| 2028 | 1,265,000 | 103,398 | 1,368,398 |
| 2029 | 1,275,000 | 87,965 | 1,362,965 |
| 2030 | 1,290,000 | 71,033 | 1,361,033 |
| 2031 | 1,310,000 | 52,568 | 1,362,568 |
| 2032 | 1,330,000 | 32,499 | 1,362,499 |
| 2033 | 1,345,000 | 11,029 | 1,356,029 |
| | <u>12,760,000</u> | <u>886,543</u> | <u>13,646,543</u> |

WATER FUND
CITY OF SPRINGFIELD, ILLINOIS

Long-Term Debt Requirements
Illinois Environmental Protection Agency Loan of 2011A
February 28, 2023

| | |
|-------------------------|--|
| Date of Issue | November 3, 2011 |
| Date of Maturity | November 3, 2030 |
| Authorized Issue | \$3,375,699 |
| Interest Rate | 0.00% |
| Interest Dates | May 3 and November 3 |
| Principal Maturity Date | May 3 and November 3 |
| Payable at | Illinois Environmental Protection Agency |

CURRENT AND LONG-TERM PRINCIPAL AND INTEREST REQUIREMENTS

| Fiscal Year | Requirements | | |
|----------------|------------------|----------|------------------|
| | Principal | Interest | Totals |
| 2024 | \$ 174,731 | — | 174,731 |
| 2025 | 174,731 | — | 174,731 |
| 2026 | 174,731 | — | 174,731 |
| 2027 | 174,731 | — | 174,731 |
| 2028 | 174,731 | — | 174,731 |
| 2029 | 174,731 | — | 174,731 |
| 2030 | 174,731 | — | 174,731 |
| 2031 | 174,731 | — | 174,731 |
| | <u>1,397,848</u> | <u>—</u> | <u>1,397,848</u> |

WATER FUND
CITY OF SPRINGFIELD, ILLINOIS

Long-Term Debt Requirements
Illinois Environmental Protection Agency Loan of 2011B
February 28, 2023

| | |
|-------------------------|--|
| Date of Issue | December 2, 2011 |
| Date of Maturity | June 2, 2026 |
| Authorized Issue | \$433,253 |
| Interest Rate | 0.00% |
| Interest Dates | June 2 and December 2 |
| Principal Maturity Date | June 2 and December 2 |
| Payable at | Illinois Environmental Protection Agency |

CURRENT AND LONG-TERM PRINCIPAL AND INTEREST REQUIREMENTS

| Fiscal Year | Requirements | | |
|----------------|--------------|----------|---------|
| | Principal | Interest | Totals |
| 2024 | \$ 28,884 | — | 28,884 |
| 2025 | 28,884 | — | 28,884 |
| 2026 | 28,884 | — | 28,884 |
| 2027 | 14,438 | — | 14,438 |
| | 101,090 | — | 101,090 |

WATER FUND
CITY OF SPRINGFIELD, ILLINOIS

Long-Term Debt Requirements
Loan Payable of 2022
February 28, 2023

| | |
|-------------------------|--------------------------|
| Date of Issue | August 1, 2022 |
| Date of Maturity | February 15, 2027 |
| Authorized Issue | \$920,901 |
| Interest Rate | 2.25% |
| Interest Dates | February 15 |
| Principal Maturity Date | February 15 |
| Payable at | INB National Association |

CURRENT AND LONG-TERM PRINCIPAL AND INTEREST REQUIREMENTS

| Fiscal Year | Requirements | | |
|----------------|----------------|---------------|----------------|
| | Principal | Interest | Totals |
| 2024 | \$ 190,550 | 16,661 | 207,211 |
| 2025 | 190,550 | 12,348 | 202,898 |
| 2026 | 190,550 | 7,967 | 198,517 |
| 2027 | 158,701 | 3,621 | 162,322 |
| | <u>730,351</u> | <u>40,597</u> | <u>770,948</u> |