

**METRO EAST SANITARY DISTRICT
LANSDOWNE TRUNK – MADISON AND VENICE SEWERAGE SYSTEM**

ANNUAL FINANCIAL REPORT

YEAR ENDED MARCH 31, 2021

**METRO EAST SANITARY DISTRICT
LANSLOWNE TRUNK - MADISON AND VENICE SEWERAGE SYSTEM**

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Metro East Sanitary District –
Lansdowne Trunk – Madison and
Venice Sewerage System
St. Clair and Madison Counties, Illinois

We have audited the accompanying financial statements of the Metro East Sanitary District, Lansdowne Trunk – Madison and Venice Sewerage System (the "System"), a component unit of Metro East Sanitary District, St. Clair and Madison Counties, Illinois, as of and for the year ended March 31, 2021, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis of Qualified Opinion

The System has not recognized the pension and other post-employment benefit (OPEB) expenses, obligation and disclosures which are required in accordance with accounting principles generally accepted in the United States of America and under Government Accounting Standards Board (GASB), to be recorded in the financial statements, due to the unavailability of information. The effect of these departures on the financial statements are not reasonably determinable.

Qualified Opinion

In our opinion, except for the missing recognition and disclosure matters described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Metro East Sanitary District, Lansdowne Trunk – Madison and Venice Sewerage System, a component unit of Metro East Sanitary District, St. Clair and Madison Counties, Illinois as of March 31, 2019, and the respective changes in financial position and cash flows, thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Metro East Sanitary District Lansdowne Trunk – Madison and Venice Sewerage System and do not purport to, and do not present fairly the financial position of the Metro East Sanitary District as of March 31, 2021, the changes in its financial position, or, where applicable, its cash flows for the year 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 management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Metro East Sanitary District, Lansdowne Trunk – Madison and Venice Sewerage System's basic financial statements. The accompanying other information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The 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. Such 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 other information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Thompson & Lengacher Co., P.C.
Thompson & Lengacher Co., P.C.
Maryville, Illinois

August 27, 2021

**METRO EAST SANITARY DISTRICT
LANSDOWNE TRUNK – MADISON AND VENICE SEWERAGE SYSTEM**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2021**

This management discussion and analysis (MD&A) of Metro East Sanitary District Lansdowne Trunk – Madison and Venice Sewerage System's ("System") financial performance provides an overview of the System's financial activities for the fiscal year ended March 31, 2021 and accompanies the System's annual audit recently completed by Thompson & Lengacher Co., P.C., Maryville, Illinois. The intent of this management discussion and analysis is to look at the System's financial performance as a whole. Readers should also review the transmitted letter and the financial statements to enhance their understanding of the System's financial performance.

Financial Highlights

Key financial highlights for the fiscal year ended March 31, 2021 are as follows:

- Cash and cash equivalents decreased by approximately \$130,000 during the past fiscal year.
- Total assets decreased by over \$40,000 from the prior year.
- Change in Net Position increased by over \$75,000 from the prior year.
- Operating expenses decreased by over \$295,000 from the prior year.

Using This Annual Report

This annual report consists of a series of financial statements. The Statements of Net Position and the Statement of Revenues, Expenses and changes in Fund Net Position, on pages 8 and 9 provides information about the activities of the System as a whole and presents a long-term view of the System's finances. The Statement of Cash Flows shows how cash was generated and expended during the year.

Reporting the System as a Whole

The Statement of Net Position and Statement of Activities report the view of the System as a whole. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by the private sector.

These two statements report the System's net position and changes in the net position. The change in net position is important because it tells a reader whether the financial position of the System has improved or diminished, taken as a whole. However, in evaluating the financial position of the System, nonfinancial information should also be taken into consideration. Examples of non-financial information to be considered, includes the condition of their capital assets.

TABLE 1
Condensed Statement of Net Position

	2021	2020	Dollar Change	Percent Change
Assets				
Current and Other Assets	\$ 1,587,230	\$ 1,587,546	\$ (316)	-0.02%
Capital Assets, Net	5,285,567	5,328,573	(43,006)	-0.81%
Total Assets	<u>\$ 6,872,797</u>	<u>\$ 6,916,119</u>	<u>\$ (43,322)</u>	<u>-0.63%</u>
Liabilities				
Current Liabilities	\$ 514,328	\$ 516,613	\$ (2,285)	-0.44%
Long-Term Liabilities	1,285,251	1,403,318	(118,067)	-8.41%
Total Liabilities	<u>\$ 1,799,579</u>	<u>\$ 1,919,931</u>	<u>\$ (120,352)</u>	<u>-6.27%</u>
Net Position				
Net Investment in				
Capital Assets	\$ 3,929,348	\$ 3,839,935	\$ 89,413	2.33%
Restricted	36,152	35,141	1,011	2.88%
Unrestricted	1,107,718	1,121,112	(13,394)	-1.19%
Total Net Position	<u>\$ 5,073,218</u>	<u>\$ 4,996,188</u>	<u>\$ 77,030</u>	<u>1.54%</u>
Total Liabilities & Net Position	<u>\$ 6,872,797</u>	<u>\$ 6,916,119</u>	<u>\$ (43,322)</u>	<u>-0.63%</u>

For more detailed information, see the Statement of Net Position.

As the above table indicates, total assets decreased by \$43,322 or 0.63% for the fiscal year ended March 31, 2021. This change is mainly comprised of a decrease in cash and because of depreciation on capital assets. As the above table indicates, total liabilities decreased by \$120,352 or -6.69% for the fiscal year ended March 31, 2021. This change is mainly comprised of the payments made on existing debt. Table 1 also indicates that total net position increased by \$77,030 or 1.52% for the fiscal year ended March 31, 2021.

Table 2
Condensed Statement of Revenues, Expenses
and Changes in Net Position

	2021	2020	Dollar Change	Percent Change
Operating Revenues	\$ 3,379,661	\$ 3,399,971	\$ (20,310)	-0.60%
Nonoperating Revenues	2,583	2,096	487	23.23%
Total Revenues	<u>\$ 3,382,244</u>	<u>\$ 3,402,067</u>	<u>\$ (19,823)</u>	<u>-0.58%</u>
Depreciation Expense	\$ 149,688	\$ 148,701	\$ 987	0.66%
Other Expenses	3,155,526	3,437,294	(281,768)	-8.20%
Total Expenses	<u>\$ 3,305,214</u>	<u>\$ 3,585,995</u>	<u>\$ (280,781)</u>	<u>-7.83%</u>
Income Loss	<u>\$ 77,030</u>	<u>\$ (183,928)</u>	<u>\$ 260,958</u>	<u>N/A</u>
Change in Net Position	\$ 77,030	\$ (183,928)	\$ 260,958	N/A
Beginning Net Position	<u>4,996,188</u>	<u>5,180,116</u>	<u>(183,928)</u>	<u>-3.55%</u>
Ending Net Position	<u><u>\$ 5,073,218</u></u>	<u><u>\$ 4,996,188</u></u>	<u><u>\$ 77,030</u></u>	<u><u>1.54%</u></u>

The Statement of Revenues, Expenses and Changes in Net Position identifies the various revenue and expense items which impact the change in net position.

As the above table indicates, the System's total revenues decreased by \$19,823 or 0.58% for the fiscal year ended March 31, 2021.

As the above table indicates, the System's total expenses decreased by \$280,781 or 7.83% for the fiscal year ended March 31, 2021. This change is mainly comprised of a decrease in maintenance and repairs caused by the prolonged stage of river flooding in the fall of 2019.

The overall financial position of the System has remained steady for the past few years. Increases in operating income is necessary in the future because the System has aged, and major improvements will probably be necessary in the next few years.

CAPITAL ASSETS

The System's investment in capital assets totaled \$5,249,316, net of depreciation, which is a decrease of \$142,138 for the fiscal year ended March 31, 2021. Capital assets include all of the System's major capital assets; including infrastructure assets, lift stations, force main, trunk lines, treatment equipment and other structures, as well as any vehicles and other equipment with a value of \$10,000 or more. A comparison of the System's capital assets over the past two fiscal years is presented in Table 3.

Table 3
Capital Assets

	2021	2020	Dollar Change	Percent Change
Land	\$ 191,000	\$ 191,000	\$ -	0.00%
Buildings	3,323,798	3,323,798	-	0.00%
Equipment	3,589,324	3,484,252	105,572	3.03%
Force Main, Trunk Lines & Treatment Plant	5,918,118	5,918,118	-	0.00%
	<u>\$ 13,022,740</u>	<u>\$ 12,917,168</u>	<u>\$ 105,572</u>	<u>0.82%</u>
Less, Accumulated Depreciation	<u>(7,773,424)</u>	<u>(7,623,736)</u>	<u>(149,688)</u>	<u>1.96%</u>
 Total Capital Assets, Net	 <u><u>\$ 5,249,316</u></u>	 <u><u>\$ 5,293,432</u></u>	 <u><u>\$ (44,116)</u></u>	 <u><u>-0.83%</u></u>

Please refer to the accompanying financial statements and Note 3 for additional information.

LONG-TERM DEBT

As of March 31, 2021, the System's long-term debt is \$1,404,948 of which \$1,077,448 relates to the noncurrent portion of an Illinois EPA loan for emergency generators and the replacement of a 24-inch force main. \$108,435 is because of a capital lease entered into in the past fiscal year. This also includes the non-current portion of compensated absences in the amount of \$84,882.

Please refer to the accompanying financial statements and Note 4 for additional information.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The System's appointed officials considered many factors when setting the fiscal year 2021 budget. Some of the economic factors taken into account include: sewage treatment revenue and interest. Agreements exist with the State of Illinois Local Debt Recovery Program and Illinois American Water Company to assist with the collection of past due sewage treatment accounts. Expense factors include the maintenance and repair of sewer lines, secondary treatment expenses, employer paid benefits and employee salary increases.

ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the System's finances and to demonstrate the System's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to Rick Fancher, Executive Director, Metro East Sanitary District, 1800 Edison Avenue, P.O. Box 1366, Granite City, IL 62040.

METRO EAST SANITARY DISTRICT
LANSLOWNE TRUNK - MADISON AND VENICE SEWERAGE SYSTEM
St. Clair and Madison Counties, Illinois

STATEMENT OF NET POSITION

Proprietary Fund
March 31, 2021

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 1,144,601
Accounts Receivable, Net	418,915
Prepaid Insurance	23,714
Total Current Assets	<u>\$ 1,587,230</u>

Noncurrent Assets:

Restricted Cash - 203 Pump Station	\$ 36,152
Capital Assets, Net	5,249,415
Total Noncurrent Assets	<u>\$ 5,285,567</u>

Total Assets	<u><u>\$ 6,872,797</u></u>
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LIABILITIES:

Current Liabilities:

Accounts Payable	\$ 344,573
Due to Metro East Sanitary District	35,572
Current Portion of Long-Term Liabilities:	
Lease Payable	14,468
Illinois EPA Loan	119,716
Total Current Liabilities	<u>\$ 514,329</u>

Noncurrent Liabilities:

Compensated Absences	\$ 84,882
Accrued Wages	14,486
Lease Payable	108,435
Illinois EPA Loan	1,077,448
Total Noncurrent Liabilities	<u>\$ 1,285,251</u>

Total Liabilities	<u>\$ 1,799,580</u>
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NET POSITION:

Net Investment in Capital Assets	\$ 3,929,348
Restricted - 203 Pump Station	36,152
Unrestricted	<u>1,107,718</u>
Total Net Position	<u>\$ 5,073,218</u>
Total Liabilities and Net Position	<u><u>\$ 6,872,797</u></u>

See accompanying notes to the basic financial statements.

**METRO EAST SANITARY DISTRICT
 LANSDOWNE TRUNK - MADISON AND VENICE SEWERAGE SYSTEM
 St. Clair and Madison Counties, Illinois**

**STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET POSITION**

**Proprietary Fund
 For the Year Ended March 31, 2021**

OPERATING REVENUES:

Sewer Fees	\$ 3,376,465
Lien Fees and Miscellaneous Charges	<u>3,196</u>
Total Operating Revenues	<u>\$ 3,379,661</u>

OPERATING EXPENSES:

Personnel Services	\$ 885,012
Contractual Services	257,243
Materials and Supplies	34,083
Maintenance and Repairs	272,226
Secondary Treatment	1,699,986
Depreciation	<u>149,688</u>
Total Operating Expenses	<u>\$ 3,298,238</u>

OPERATING LOSS	<u>\$ 81,423</u>
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NONOPERATING REVENUES (EXPENSES):

Interest Income	\$ 2,583
Interest Expense	<u>(6,976)</u>
Total Nonoperating Revenues (Expenses)	<u>\$ (4,393)</u>

CHANGE IN NET POSITION	<u>\$ 77,030</u>
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NET POSITION, BEGINNING OF YEAR	<u>4,996,188</u>
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NET POSITION, END OF YEAR	<u><u>\$ 5,073,218</u></u>
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See accompanying notes to the basic financial statements.

METRO EAST SANITARY DISTRICT
LANSDOWNE TRUNK - MADISON AND VENICE SEWERAGE SYSTEM
St. Clair and Madison Counties, Illinois

STATEMENT OF CASH FLOWS

Proprietary Fund
For the Year Ended March 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Receipts from Customers	\$ 3,235,753
Cash Payments to Suppliers and Others	(2,549,058)
Cash Payments to Employees for Services	(572,662)
	<hr/>
Net Cash Provided by Operating Activities	\$ 114,033

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Lease Payments	\$ (13,715)
Interest Expense Payments	(6,976)
Repayments on Illinois EPA Loan	(119,716)
Purchase of Capital Assets	(105,672)
	<hr/>
Net Cash Used by Capital and Related Financing Activities	\$ (246,079)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Earned on Investments	\$ 2,583
	<hr/>
Net Cash Provided by Investing Activities	\$ 2,583

NET DECREASE IN CASH AND CASH EQUIVALENTS	\$ (129,463)
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CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<hr/> 1,310,216
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CASH AND CASH EQUIVALENTS - END OF YEAR	<hr/> <hr/> \$ 1,180,753
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RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED (USED) BY OPERATING ACTIVITIES

Operating Income	\$ 81,423
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	149,688
Changes in Assets and Liabilities	
(Increase) Decrease in Assets	
Accounts Receivable, Net	(140,936)
Prepaid Insurance	10,785
Increase (Decrease) in Liabilities	
Accounts Payable	13,133
Lease Payable	258
Due to Metro East Sanitary District	(16,190)
Accrued Wages	(212)
Compensated Absences	16,084
	<hr/>
Net Cash Provided by Operating Activities	\$ 114,033

CASH AND CASH EQUIVALENTS ACCOUNTED FOR AS FOLLOWS:

Unrestricted Cash and Cash Equivalents	\$ 1,144,601
Restricted Cash and Cash Equivalents	36,152
	<hr/>
	<hr/> \$ 1,180,753

See accompanying notes to the basic financial statements.

**METRO EAST SANITARY DISTRICT
LANSLOWNE TRUNK- MADISON AND VENICE SEWERAGE SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Metro East Sanitary District (District) are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The System has developed criteria to determine whether outside agencies with activities, which benefit the System, should be included within its financial reporting entity. The criteria for including organizations within the System's reporting entity, as set forth in GASB Statement NO. 14, "The Financial Reporting Entity," is financial accountability. Financial accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Based on these criteria, the System is considered a blended component unit of the Metro East Sanitary District (the "District") and there are no component units in the reporting entity.

The District issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Metro East Sanitary District, P.O. Box 1366, Granite City, Illinois 62040.

B. Measurement Focus and Basis of Accounting

The System reports its activities as a proprietary fund, which is used to account for operations are financed and operated in a manner similar to a private business enterprise, where the intent of the System is that the cost of providing service to its service area on a continuing basis be financed or recovered primarily through user charges, capital grants and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

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 System's sewerage (proprietary) fund are charges to customers for sales and services and are reported net of discounts and bad debts. Operating expenses for the proprietary fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenditures. Actual results could vary from estimates that were used.

**METRO EAST SANITARY DISTRICT
LANSLOWNE TRUNK- MADISON AND VENICE SEWERAGE SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of one year or less from the date of acquisition.

E. Accounts Receivable and Allowance for Doubtful Accounts

All receivables are reported net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years. The System's allowance for doubtful accounts was \$190,000 for the fiscal year ending March 31, 2021.

F. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$10,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extended asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	50
Equipment	
Pumps and controls	50
Office equipment	10
Force main, trunk lines and treatment plant	75

G. Compensated Absences (Accumulated Unpaid Vacation/Sick Pay)

The System has a formal policy, which allows employees to accumulate unused vacation and sick leave. Due to the fact that these accumulations are payable to the employee upon separation from service, the accompanying financial statements include an accrual for these unpaid amounts. Amounts were calculated by using pay rates in effect at year-end.

H. Long-Term Obligations

Long-term obligations are reported as liabilities in the accompanying financial statements.

**METRO EAST SANITARY DISTRICT
LANSDOWNE TRUNK- MADISON AND VENICE SEWERAGE SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the District applies the expenses to restricted resources first.

funds.

J. Interfund Activity

Transactions between funds that are representative of lending/ borrowing arrangements outstanding at the end of a fiscal year are referred to as due to and from other funds.

K. Sewer Fees

Sewer fees are reported net of bad debt write-offs and changes in the allowance for doubtful accounts.

NOTE 2: DEPOSITS AND INVESTMENTS

The System is authorized by state statute to make deposits/investments in insured commercial banks, savings and loan institutions, obligations of the United States of America, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreement to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the highest classifications by at least two standard rating services. The District has no investment policy which would further limit its investment options. The System does not enter into any reverse repurchase agreements.

**METRO EAST SANITARY DISTRICT
LANSLOWNE TRUNK- MADISON AND VENICE SEWERAGE SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021**

NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)

Reconciliation to financial statements:

Restricted Cash	36,152	-	36,152
Total Carrying Amounts	\$ 1,178,239	\$ -	\$ 1,178,239

Interest Rate Risk

Interest rate risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, an investment with a longer maturity date will have a greater sensitivity of its fair value to changes in market interest rates. The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. All of the System's certificates of deposit and state investment pool have maturity dates of one year or less.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The state investment pool used by the System has earned Standard and Poor's highest rating (AAAm)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The System's deposits that are insured under FDIC \$250,000 and any remaining balances in excess of FDIC limits must be secured by some form of collateral, witnessed by a written agreement, and held at an independent third-party institution in the name of the System. Deposits held in banks were 100% insured by the FDIC or covered by pledged collateral held in the System's name at March 31, 2021.

**METRO EAST SANITARY DISTRICT
LANSLOWNE TRUNK- MADISON AND VENICE SEWERAGE SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021**

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year ended March 31, 2021 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets Not Being Depreciated				
Land	\$ 191,000	\$ -	\$ -	\$ 191,000
Capital Assets Being Depreciated				
Buildings	\$ 3,323,798	\$ -	\$ -	\$ 3,323,798
Equipment	3,484,252	105,572	-	3,589,324
Force Main, Trunk Lines and Treatment Plant	5,918,118	-	-	5,918,118
Total Capital Assets Being Depreciated	\$ 12,726,168	\$ 105,572	\$ -	\$ 12,831,740
Less Accumulated Depreciation	7,623,736	149,688	-	7,773,424
Total Capital Assets Being Depreciated, Net	\$ 5,102,432	\$ (44,116)	\$ -	\$5,058,316
CAPITAL ASSETS, NET	\$ 5,293,432	\$ (44,116)	\$ -	\$ 5,249,316

NOTE 4: LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended March 31, 2021.

Description and Purpose	Balance April 1, 2020	Additions	Deletions	Balance March 31, 2021	Due Within One Year
Illinois EPA Loan	\$ 1,316,880	\$ -	\$ 119,716	\$ 1,197,164	\$ 119,716
Lease Payable	136,617	-	13,715	122,902	14,467
Compensated Absences					
Accumulated Vacation Pay	29,739	13,144	19,213	42,883	-
Accumulated Sick Pay	39,239	2,760	17,429	41,999	-
Total	\$ 1,522,475	\$ 15,904	\$ 170,073	\$ 1,404,948	\$ 134,183

**METRO EAST SANITARY DISTRICT
LANSLOWNE TRUNK- MADISON AND VENICE SEWERAGE SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021**

NOTE 4: LONG-TERM LIABILITIES(CONTINUED)

IEPA Loan- Business-Type Activities

During the fiscal year ended March 31, 2010, the District entered into a loan agreement with Illinois Environmental Protection Agency for construction of a 24-inch replacement sewer main and emergency generators in the amount of \$2,317,146. The loan is a 20-year loan with an annual fixed rate of 0%.

The annual requirements to amortize the IEPA Loan as of March 31, 2021, are as follows:

<u>Year Ending March 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	119,716	-	119,716
2023	119,716	-	119,716
2024	119,716	-	119,716
2025	119,716	-	119,716
2026	119,716	-	119,716
2027-2031	598,584	-	598,584
Total	<u>\$ 1,197,164</u>	<u>\$ -</u>	<u>\$ 1,197,164</u>

Lease Payable

During the fiscal year ended March 31, 2020, the District entered into a lease agreement with a company for a Caterpillar Hydraulic Excavator in the amount of \$150,755. The lease is over a 60-month period with an interest rate of 5.35%. The final payment is due in February 2024 in the amount of \$80,284.

<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 14,467	\$ 6,244	\$ 20,691
2023	15,255	5,436	20,691
2023	93,181	4,346	97,527
	<u>122,903</u>	<u>16,026</u>	<u>138,909</u>

**METRO EAST SANITARY DISTRICT
LANSDOWNE TRUNK- MADISON AND VENICE SEWERAGE SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021**

NOTE 5: RETIREMENT COMMITMENTS

Illinois Municipal Retirement Fund

The System is a participating member of the Illinois Municipal Retirement Fund. All employees of the System are eligible to become members of his plan. Funding commitments and other related information relative to the plan are available in the financial statements of the Metro East Sanitary District, 1801 Madison Avenue, Granite City, Illinois 62040.

NOTE 6: RELATED PARTY TRANSACTIONS

Lease of Office Space

The System leases office space on a monthly basis from the Metro East Sanitary District. Currently, monthly lease payments are \$1,000. Office space rental was \$12,000 for the fiscal year ended March 31, 2021. No formal lease has been executed between the related parties.

Due to Metro East Sanitary District

As of March 31, 2021, the System had an amount due to the Metro East Sanitary District totaling \$35,572. Of this total, \$35,572 represents various insurance related costs paid by the District's Liability Insurance Fund.

NOTE 7: RESTRICTED ASSETS – 203 PUMP STATION

On July 23, 1997, the Lansdowne System entered into an agreement to purchase a sanitary pumping station located on Gateway International Racetrack real estate adjacent to Highway 203, north of Interstate 70 in East St. Louis, Illinois. In accordance with an additional agreement related to the above station, all current and any future users of the pump station are responsible for the cost of maintenance. The System is responsible for maintaining the station is to bill users for the related costs. The accompanying financial statements account for these accumulations as restricted assets totaling \$36,152 at March 31, 2021.

NOTE 8: RISK MANAGEMENT

Workers' compensation and general liability losses are covered by the Illinois Counties Risk Management Trust. There have been no significant reductions in these insurance coverages during the year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 9: SUBSEQUENT EVENTS

Management has evaluated the effect of subsequent events on the financial statements through the date of the independent auditor's report, which is the date the financial statements were available to be issued.

**METRO EAST SANITARY DISTRICT
LANSDOWNE TRUNK- MADISON AND VENICE SEWERAGE SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021**

NOTE 10: CORONAVIRUS

On January 30, 2020, The World Health Organization declared the novel coronavirus (COVID-19) a Public Health Emergency of International Concern. Later, on March 11, 2020, the World Health Organization made the assessment that COVID-19 was a global pandemic. Measures taken by federal, state, and local officials to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of nonessential services have triggered significant disruptions to businesses, resulting in an economic slowdown.

In an effort to minimize the spread of COVID-19, the District had office employees alternating days when they were in the office. Social distancing was maintained across all operations to the extent possible.

The global outbreak of COVID-19 continues to rapidly evolve, and the ultimate impact of the pandemic is highly uncertain. While the District does not expect that the COVID-19 outbreak will have an adverse impact of its fiscal year 2021 results, it cannot at this time accurately predict the full extent to which the COVID-19 outbreak will affect its finances and operations. The District continues to monitor developments and the directives of federal, state, and local officials to determine what additional precautions and procedures need to be implemented.

METRO EAST SANITARY DISTRICT
LANSDOWNE TRUNK - MADISON AND VENICE SEWERAGE SYSTEM
 St. Clair and Madison Counties, Illinois

SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
BUDGET AND ACTUAL (CASH BASIS)

For the Year Ended March 31, 2021

	Budget	Actual
OPERATING REVENUES:		
Sewer Fees	\$ 3,200,000	\$ 3,235,520
Lien Fees and Miscellaneous Revenues	17,500	3,196
Total Operating Revenues	<u>\$ 3,217,500</u>	<u>\$ 3,238,716</u>
OPERATING EXPENSES		
Personnel Services		
Salaries	\$ 575,000	\$ 572,662
Employer's Payroll Expense		
FICA	45,000	43,079
IMRF	50,000	48,061
Unemployment Compensation	8,000	6,617
Uniform and Boot Allowance	1,000	642
Group Insurance	175,000	198,162
Total Personnel Services	<u>\$ 854,000</u>	<u>\$ 869,222</u>
Contractual Services:		
Utilities	\$ 145,000	\$ 97,511
Telephone	7,500	7,095
Auditing and Accounting Fees	14,000	11,765
Engineering Fees	25,000	14,265
Legal Fees	25,000	1,872
Printing and Publishing	2,500	515
Insurance	30,000	35,572
Office Space Rental	12,000	12,000
Filing and Lien Fees	5,000	3,638
Sewerage Permits	5,000	5,000
Computer System Support	8,500	7,795
Computer System Training	3,000	163
Website Related Costs	2,500	3,782
Alarm	1,500	1,684
Lift Station/Flow Meter Monitoring	12,000	4,397
Easements	1,000	650
Water Usage and Parcel Data Fees	10,000	7,215
Water Turn-Off Fees	22,000	7,360
Credit Reports	6,000	5,242
Equipment Lease Agreements	4,500	17,259
Water Testing Fees	20,000	5,083
Safety Supplies		272
Maintenance Agreements		7,637
Interest Expense		6,976
Total Contractual Services	<u>\$ 362,000</u>	<u>\$ 264,750</u>

See accompanying independent auditor's report.

**METRO EAST SANITARY DISTRICT
LANSLOWNE TRUNK - MADISON AND VENICE SEWERAGE SYSTEM
St. Clair and Madison Counties, Illinois**

**SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
BUDGET AND ACTUAL (CASH BASIS)**

For the Year Ended March 31, 2021

	Budget	Actual
OPERATING EXPENSES (continued):		
Materials and Supplies:		
Office Supplies	\$ 10,000	\$ 5,996
Postage	25,000	21,821
Computer Supplies	8,000	7,613
Total Materials and Supplies	<u>\$ 43,000</u>	<u>\$ 35,430</u>
Maintenance and Repairs		
Sewer Line	\$ 7,500	\$ 139,673
Building	20,000	4,774
Equipment	75,000	94,627
Vehicle	10,000	7,881
Total Maintenance and Repairs	<u>\$ 112,500</u>	<u>\$ 246,955</u>
Secondary Treatment	\$ 1,760,000	\$ 1,724,188
Customer Refunds		2,963
Miscellaneous	2,500	1,727
IEPA Loan Payments	120,000	119,716
E-Check Fees	1,500	141
Fixed Asset Purchases	35,000	105,672
	<u>\$ 1,919,000</u>	<u>\$ 1,954,407</u>
Total Operating Expense	<u>\$ 3,290,500</u>	<u>\$ 3,370,763</u>
Operating Income (Loss)	<u>\$ (73,000)</u>	<u>\$ (132,047)</u>
NONOPERATING REVENUES:		
Interest Income	2,000	2,583
Increase (Decrease) in Net Position	<u>\$ (71,000)</u>	<u>\$ (129,464)</u>
Reconciliation to GAAP Basis Financial Statements		
Decrease in Net Position (Cash Basis)		\$ (129,464)
Adjustments to Reconcile Increase in Net Position - Cash Basis to GAAP Basis		
Increases (Decreases) in Assets Which Are Not Recorded Using the Cash Basis		
Depreciation		(149,688)
Prepaid Insurance		(10,785)
Accounts Receivable, Net		140,943
(Increases) Decreases in Liabilities Which Are Not Recorded Using the Cash Basis		
Accounts Payable		(13,133)
Due to Metro East Sanitary District		16,170
Accrued Wages		(212)
Compensated Absences		(15,904)
Cash Payments Not Considered Expenses on GAAP Basis Statements		
Purchases of Capital Assets		105,672
Repayments on Illinois EPA Loan		119,716
Repayments on Lease Payable		13,715
Increase in Net Position - Exhibit "B"		<u>\$ 77,030</u>

See accompanying independent auditor's report.