

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

ANNUAL FINANCIAL REPORT

YEAR ENDED MARCH 31, 2024

**METRO EAST SANITARY DISTRICT
LANSDOWNE 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

Qualified Opinion

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, 2024, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

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, 2024, 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.

Basis of Qualified Opinion

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 Metro East Sanitary District Lansdowne Trunk- Madison and Venice Sewerage System, 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 qualified opinion.

Matter Giving Rise to the 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.

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, 2024, 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.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Metro East Sanitary District – Lansdowne’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 Responsibility 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 Metro East Sanitary District – Lansdowne’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 Metro East Sanitary District – Lansdowne’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 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.
Maryville, Illinois

August 15, 2024

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

**MANAGEMENT’S DISCUSSION AND ANALYSIS
March 31, 2024**

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, 2024 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, 2024 are as follows:

- Cash and cash equivalents decreased by approximately \$125,000 during the past fiscal year.
- Total assets decreased by over \$280,000 from the prior year.
- Change in Net Position increased by over \$45,000 from the prior year.
- Operating income decreased by over \$100,000 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

	2024	2023	Dollar Change	Percent Change
Assets				
Current and Other Assets	\$ 1,550,556	\$ 1,680,562	\$ (130,006)	-7.74%
Capital Assets, Net	4,825,562	4,979,228	(153,666)	-3.09%
Total Assets	<u>\$ 6,376,118</u>	<u>\$ 6,659,790</u>	<u>\$ (283,672)</u>	<u>-4.26%</u>
Liabilities				
Current Liabilities	\$ 696,332	\$ 745,081	\$ (48,749)	-6.54%
Long-Term Liabilities	718,298	953,735	(235,437)	-24.69%
Total Liabilities	<u>\$ 1,414,630</u>	<u>\$ 1,698,816</u>	<u>\$ (284,186)</u>	<u>-16.73%</u>
Net Position				
Net Investment in				
Capital Assets	\$ 3,949,745	\$ 4,021,497	\$ (71,752)	-1.78%
Restricted	37,803	37,772	31	0.08%
Unrestricted	973,940	901,705	72,235	8.01%
Total Net Position	<u>\$ 4,961,488</u>	<u>\$ 4,960,974</u>	<u>\$ 514</u>	<u>0.01%</u>
Total Liabilities & Net Position	<u>\$ 6,376,118</u>	<u>\$ 6,659,790</u>	<u>\$ (283,672)</u>	<u>-4.26%</u>

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

As the above table indicates, total assets decreased by \$283,672 or 4.26% for the fiscal year ended March 31, 2024. This change is mainly comprised of a decrease in cash and capital assets. As the above table indicates, total liabilities decreased by \$284,186 or 16.73% for the fiscal year ended March 31, 2024. This change is mainly comprised of the payments made on existing debt. Table 1 also indicates that total net position increased by \$514 or 0.01% for the fiscal year ended March 31, 2024.

Table 2
Condensed of Revenues, Expenses
And Changes in Net Position

	<u>2024</u>	<u>2023</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Operating Revenues	<u>3,816,794</u>	<u>3,541,353</u>	<u>275,441</u>	<u>7.78</u>
Nonoperating Revenues	<u>28,558</u>	<u>101,933</u>	<u>-73,375</u>	<u>-71.98</u>
Total Revenues	<u>3,845,352</u>	<u>3,643,286</u>	<u>202,066</u>	<u>5.55</u>
Depreciation Expense	<u>153,697</u>	<u>153,980</u>	<u>-283</u>	<u>0.18</u>
Other Expenses	<u>3,691,141</u>	<u>3,259,553</u>	<u>431,588</u>	<u>13.24</u>
Total Expenses	<u>3,844,838</u>	<u>3,413,533</u>	<u>431,305</u>	<u>12.64</u>
Income (Loss)	<u>514</u>	<u>229,753</u>	<u>-229,239</u>	<u>-99.78</u>
Change in Net Position	<u>514</u>	<u>229,753</u>	<u>-229,239</u>	<u>-99.78</u>
Beginning Net Position	<u>4,960,974</u>	<u>4,731,221</u>	<u>229,753</u>	<u>4.86</u>
Ending Net Position	<u>4,961,488</u>	<u>4,960,974</u>	<u>514</u>	<u>.01</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 increased by \$202,066 or 5.55% for the fiscal year ended March 31, 2024. The change is mainly because of an increase in fees that went into effect last fall.

As the above table indicates, the System's total expenses increased by \$431,305 or 12.64% for the fiscal year ended March 31, 2024.

The overall financial position of the System has stayed the same for this year, The board passed a 10 % Increase in operating revenue starting in the fall of 2022.

CAPITAL ASSETS

The System's investment in capital assets totaled \$4,825,562, net of depreciation, which is a decrease of \$153,666 for the fiscal year ended March 31, 2024. 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**

	2024	2023	Dollar Change	Percent Change
Land	191,000	191,000		0.00%
Buildings	3,323,798	3,323,798		0.00%
Equipment	3,589,324	3,589,324		0.00%
Force Main, Truck lines & Treatment Plant	<u>5,918,118</u>	<u>5,918,118</u>		<u>0.00%</u>
	13,022,740	13,022,740		0.00%
Less, Accumulated Depreciation	<u>-8,235,081</u>	<u>-8,081,384</u>	<u>153,697</u>	<u>1.94%</u>
Total Capital Assets, Net	<u>4,787,659</u>	<u>\$4,941,356</u>	<u>(153,697)</u>	<u>-3.02%</u>

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

LONG-TERM DEBT

As of March 31, 2024, the System's long-term debt is \$718,298 all of which relates to the noncurrent portion of an Illinois EPA loan for emergency generators and the replacement of a 24-inch force main.

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 2024 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.

In December, 2023 the Board signed sale agreements to sell the capital asset of the district for an estimated sale price of \$8,370,000. The board estimates that the sale will close sometime between September, 2024 and December, 2024

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 Mike Nordstrom, 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, 2024**

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 1,064,236
Accounts Receivable, Net	442,417
Prepaid Insurance	43,903
Total Current Assets	\$ 1,550,556

Noncurrent Assets:

Restricted Cash - 203 Pump Station	\$ 37,803
Capital Assets, Net	4,787,759
Total Noncurrent Assets	\$ 4,825,562

Total Assets	\$ 6,376,118
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LIABILITIES:

Current Liabilities:

Accounts Payable	\$ 259,232
Due to Metro East Sanitary District	184,162
Accrued Wages	22,969
Compensated Absences	110,253
Current Portion of Long-Term Liabilities:	
Illinois EPA Loan	119,716

Total Current Liabilities	\$ 696,332
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Noncurrent Liabilities:

Illinois EPA Loan	718,298
Total Noncurrent Liabilities	\$ 718,298

Total Liabilities	\$ 1,414,630
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NET POSITION:

Net Investment in Capital Assets	\$ 3,949,745
Restricted - 203 Pump Station	37,803
Unrestricted	973,940

Total Net Position	\$ 4,961,488
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Total Liabilities and Net Position	\$ 6,376,118
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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 REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION**

**Proprietary Fund
For the Year Ended March 31, 2024**

OPERATING REVENUES:		
Sewer Fees	\$	3,812,026
Lien Fees and Miscellaneous Charges		<u>4,768</u>
Total Operating Revenues	\$	<u>3,816,794</u>
OPERATING EXPENSES:		
Personnel Services	\$	864,510
Contractual Services		388,178
Materials and Supplies		35,219
Maintenance and Repairs		551,877
Secondary Treatment		1,846,590
Depreciation		<u>153,697</u>
Total Operating Expenses	\$	<u>3,840,071</u>
OPERATING INCOME (LOSS)	\$	<u>(23,277)</u>
NONOPERATING REVENUES (EXPENSES):		
Interest Income	\$	28,558
Interest Expense		<u>(4,767)</u>
Total Nonoperating Revenues (Expenses)	\$	<u>23,791</u>
CHANGE IN NET POSITION	\$	514
NET POSITION, BEGINNING OF YEAR		<u>4,960,974</u>
NET POSITION, END OF YEAR	\$	<u><u>4,961,488</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 CASH FLOWS

**Proprietary Fund
For the Year Ended March 31, 2024**

<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Cash Receipts from Customers	\$ 3,827,681
Cash Payments to Suppliers and Others	(3,192,804)
Cash Payments to Employees for Services	(569,289)
	<hr/>
Net Cash Provided by Operating Activities	\$ 65,588
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>	
Lease Payments	\$ (94,491)
Interest Expense Payments	(4,767)
Repayments on Illinois EPA Loan	(119,716)
	<hr/>
Net Cash Used by Capital and Related Financing Activities	\$ (218,974)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest Earned on Investments	\$ 28,558
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Net Cash Provided by Investing Activities	\$ 28,558
NET DECREASE IN CASH AND CASH EQUIVALENTS	\$ (124,828)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,226,867
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CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,102,039
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RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Income (Loss)	\$ (23,277)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	153,697
Changes in Assets and Liabilities	
(Increase) Decrease in Assets	
Accounts Receivable, Net	10,887
Prepaid Insurance	(5,740)
Increase (Decrease) in Liabilities	
Accounts Payable	(131,390)
Due to Metro East Sanitary District	43,903
Accrued Wages	1,907
Compensated Absences	15,601
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Net Cash Provided by Operating Activities	\$ 65,588
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CASH AND CASH EQUIVALENTS ACCOUNTED FOR AS FOLLOWS:	
Unrestricted Cash and Cash Equivalents	\$ 1,064,236
Restricted Cash and Cash Equivalents	37,803
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	\$ 1,102,039
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See accompanying notes to the basic financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024**

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 is 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, 2024**

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 \$195,000 for the fiscal year ending March 31, 2024.

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
LANSLOWNE TRUNK- MADISON AND VENICE SEWERAGE SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024**

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
LANSDOWNE TRUNK- MADISON AND VENICE SEWERAGE SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024**

NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)

Reconciliation to financial statements:

Exhibit "A"

	<u>Deposits</u>	<u>Investments</u>	<u>Total</u>
Exhibit "A"			
Cash and Cash Equivalents	\$ 1,064,236	\$ -	\$ 1,064,236
Restrictd Cash	\$ 37,803	-	\$ 37,803
Total Carrying Amounts	<u>\$ 1,102,039</u>	<u>\$ -</u>	<u>\$ 1,102,039</u>

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, 2024.

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

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024**

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year ended March 31, 2024 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	3,589,824	-	-	3,589,824
Force Main, Trunk Lines and Treatment Plant	5,918,118	-	-	5,918,118
Total Capital Assets Being Depreciated	\$ 12,831,740		\$ -	\$ 12,831,740
Less Accumulated Depreciation	8,081,384	153,697	-	8,235,081
Total Capital Assets Being Depreciated, Net	\$ 4,750,356	\$ (153,697)	\$ -	\$ 4,596,659
CAPITAL ASSETS, NET	\$ 4,941,356	\$ (153,697)	\$ -	\$ 4,787,659

NOTE 4: LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended March 31, 2024.

Description and Purpose	2023	Additions	Deletions	2024	One Year
Illinois EPA Loan	\$ 957,732	\$ -	\$ 119,716	\$ 838,016	\$ 119,716
Lease Payable	94,484	-	94,484	-	-
Compensated Absences					
Accumulated Vacation Pay	42,041	5,864		47,905	-
Accumulated Sick Pay	52,611	8,991		61,602	-
Total	\$ 1,146,868	\$ 14,855	\$ 214,200	\$ 947,523	\$ 119,716

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

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024**

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, 2024, are as follows:

<u>Year Ending March 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	119,716	-	119,716
2026	119,716	-	119,716
2027	119,716	-	119,716
2028	119,716	-	119,716
2029	119,716	-	119,716
2030-2031	<u>239,436</u>	<u>-</u>	<u>239,436</u>
Total	<u>\$ 838,016</u>	<u>\$ -</u>	<u>\$ 838,016</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 was due in February 2024 in the amount of \$80,284. This lease was paid in full during the fiscal year.

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

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024**

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, 2024. No formal lease has been executed between the related parties.

Due to Metro East Sanitary District

As of March 31, 2024, the System had an amount due to the Metro East Sanitary District totaling \$184,162. Of this total, \$184,162 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 \$37,803 at March 31, 2024.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024**

NOTE 9: SALE OF WASTEWATER SYSTEM

On December 21, 2023, the board signed an agreement to sell the assets of the wastewater transportation system and the wastewater collection system to Illinois-American Water Company.

The sale price of the wastewater transportation system is estimated to be \$6,886,000. The sale price of the wastewater collection system is estimated to be \$1,484,000.

The possibility exists for some assets to be held out of the sale. The district is considering holding back some vehicles from the sale of these systems. If all assets are sold for the estimated sale price of \$8,370,000, the district will have a gain on sale of approximately \$3,650,000.

The sale is expected to close between September, 2024 and December, 2024. The district will continue to operate for a short period of time to collect amounts owed to it and to close the entity. The board will determine when keeping the district open is no longer viable.

Upon the closing of the entity, it is anticipated that all monies and other assets left over after the discharge of all liabilities will be transferred to Metro East Sanitary District. At this time, the amount to be transferred cannot be estimated.

NOTE 10: SUBSEQUENT EVENT

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
St. Clair and Madison Counties, Illinois**

**SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
BUDGET AND ACTUAL**

For the Year Ended March 31, 2024

	Budget	Actual
OPERATING REVENUES:		
Sewer Fees	\$ 3,520,000	\$ 3,812,026
Lien Fees and Miscellaneous Revenues	7,500	4,768
Total Operating Revenues	\$ 3,527,500	\$ 3,816,794
OPERATING EXPENSES		
Personnel Services		
Salaries	\$ 575,000	\$ 586,791
Employer's Payroll Expense		
FICA	45,000	42,269
IMRF	35,000	14,887
Unemployment Compensation	3,000	1,142
Uniform and Boot Allowance	1,000	865
Group Insurance	195,000	214,781
CDL Reimbursement		3,775
Total Personnel Services	\$ 854,000	\$ 864,510
Contractual Services:		
Utilities	\$ 165,000	\$ 100,852
Telephone	5,500	4,981
Auditing and Accounting Fees	16,000	14,370
Engineering Fees	45,000	46,719
Legal Fees	25,000	12,235
Printing and Publishing	4,500	2,185
Insurance	50,000	38,163
Office Space Rental	12,000	13,000
Filing and Lien Fees	4,000	1,989
Sewerage Permits	5,000	5,000
Computer System Support	8,000	7,716
Miscellaneous	2,000	5,543
Website Related Costs	7,500	8,936
Alarm	1,000	141
Lift Station/Flow Meter Monitoring	10,000	4,183
Easements	1,000	8,770
Water Usage and Parcel Data Fees	10,000	7,577
Water Turn-Off Fees		37,980
Credit Reports	7,000	261
Equipment Lease Agreements	4,500	5,409
Water Testing Fees	45,000	50,242
IT Expense	7,500	11,106
Maintenance Agreements	3,000	820
Total Contractual Services	\$ 438,500	\$ 388,178

See accompanying independent auditor's report.

**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**

For the Year Ended March 31, 2024

	Budget	Actual
OPERATING EXPENSES (continued):		
Materials and Supplies:		
Office Supplies	\$ 6,500	\$ 10,393
Postage	27,000	21,994
Computer Supplies	4,000	2,832
Total Materials and Supplies	\$ 37,500	\$ 35,219
Maintenance and Repairs		
Sewer Line	\$ 120,000	\$ 511,740
Building	4,000	2,428
Equipment	55,000	20,911
Vehicle	15,000	11,399
Lift Station	7,500	5,399
Streets	2,500	
Total Maintenance and Repairs	\$ 204,000	\$ 551,877
Secondary Treatment	\$ 1,925,000	\$ 1,846,590
Depreciation		153,697
Interest Expense		4,767
Fixed Asset Purchases	25,000	-
	\$ 1,950,000	\$ 2,005,054
 Total Operating Expense	 \$ 3,484,000	 \$ 3,844,838
 Operating Income (Loss)	 \$ 43,500	 \$ (28,044)
 NONOPERATING REVENUES:		
Interest Income	4,000	28,558
 Increase (Decrease) in Net Position	 \$ 47,500	 \$ 514

See accompanying independent auditor's report.