

CATERPILLAR TRAIL PUBLIC WATER DISTRICT

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Caterpillar Trail Public Water District
East Peoria, Illinois

We have audited the accompanying financial statements of **Caterpillar Trail Public Water District** (the District), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District'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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 District'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 for Qualified Opinion

As described in Note 1 to the financial statements, the District has not historically recorded the cost or estimated fair value of water mains donated to the District by real estate developers and the resultant contributed capital revenue. Accounting principles generally accepted in the United States of America require that such assets be recorded at their estimated fair values as of the date they are received by the District. The amount by which this departure would affect the assets, net position, and changes in net position of the District has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion” paragraph, the financial statements referred to previously, present fairly, in all material respects, the financial position of Caterpillar Trail Public Water District as of June 30, 2020 and 2019, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 opinion on the basic financial statements is not affected by this missing information.

Heinold Banwart, Ltd.

August 28, 2020

CATERPILLAR TRAIL PUBLIC WATER DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 502,028	\$ 517,521
Restricted cash	53,466	53,466
Receivables	168,401	129,496
Prepaid expenses	10,814	31,750
Total current assets	734,709	732,233
NONCURRENT ASSETS		
Capital assets not being depreciated	221,415	221,415
Capital assets, net of accumulated depreciation	7,810,756	8,044,570
Total noncurrent assets	8,032,171	8,265,985
	\$ 8,766,880	\$ 8,998,218
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 14,422	\$ 22,851
Accrued liabilities	25,512	17,207
Current maturities of long-term debt	536,347	523,369
Total current liabilities	576,281	563,427
NONCURRENT LIABILITIES		
Long-term debt, net of current maturities	3,948,507	4,436,150
Total liabilities	4,524,788	4,999,577
NET POSITION		
Net investment in capital assets	3,596,021	3,306,466
Restricted for:		
Debt service	53,466	53,466
Unrestricted	592,605	638,709
Total net position	4,242,092	3,998,641
	\$ 8,766,880	\$ 8,998,218

See accompanying notes.

CATERPILLAR TRAIL PUBLIC WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Operating revenues		
Sale of water	\$ 1,412,062	\$ 1,239,452
Charges for services	-	88,000
Late payment and administrative fees	16,874	23,816
Meter and part sales	1,140	3,323
Donated income	-	122,130
	1,430,076	1,476,721
Operating expenses		
Production and distribution		
Salaries	226,634	163,157
Automobile	6,446	4,810
Payroll taxes	17,171	12,266
Insurance	95,010	69,112
401(k)	27,365	17,420
Utilities	54,612	59,899
Operating supplies	85,763	78,932
Engineering fees	-	22,394
System maintenance and equipment	65,258	57,035
Depreciation	329,859	321,527
	908,118	806,552
Administrative		
Salaries	69,994	63,075
Payroll taxes	5,582	4,855
Insurance	21,898	12,051
401(k)	7,084	6,048
Telephone	7,331	6,748
Legal and accounting	21,592	26,310
Office supplies	14,365	11,205
Postage and delivery	11,968	9,938
Miscellaneous	3,216	3,063
	163,030	143,293
Total operating expenses	1,071,148	949,845
Operating income	358,928	526,876

See accompanying notes.

CATERPILLAR TRAIL PUBLIC WATER DISTRICT
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Non-operating (revenues) expenses		
Interest income	\$ (2,746)	\$ (3,215)
Interest expense	118,223	130,853
	<hr/>	<hr/>
Total non-operating expenses	115,477	127,638
	<hr/>	<hr/>
Change in net position	243,451	399,238
	<hr/>	<hr/>
Total net position, beginning of year	3,998,641	3,599,403
	<hr/>	<hr/>
Total net position, end of year	\$ 4,242,092	\$ 3,998,641
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See accompanying notes.

CATERPILLAR TRAIL PUBLIC WATER DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 1,391,171	\$ 1,360,076
Payments to suppliers	(432,154)	(403,135)
Payments to employees	(288,323)	(219,652)
	670,694	737,289
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	2,746	3,215
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of debt	48,704	-
Principal payments on debt	(523,369)	(510,708)
Interest paid on debt	(118,223)	(130,884)
Acquisition of capital assets	(96,045)	(108,372)
	(688,933)	(749,964)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(15,493)	(9,460)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	570,987	580,447
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 555,494	\$ 570,987
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 358,928	\$ 526,876
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	329,859	321,527
Donated capital assets	-	(122,130)
Effects of changes in operating assets and liabilities		
(Increase) decrease in receivables	(38,905)	5,485
(Increase) decrease in prepaid expenses	20,936	(16,030)
Increase (decrease) in accounts payable	(8,429)	14,981
Increase in accrued liabilities	8,305	6,580
	\$ 670,694	\$ 737,289
SUPPLEMENTAL DATA		
Noncash capital and related financing activities		
Donated capital assets	\$ -	\$ 122,130

See accompanying notes.

CATERPILLAR TRAIL PUBLIC WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For financial reporting purposes, in accordance with the *Codification of Governmental Accounting and Financial Reporting Standards*, Caterpillar Trail Public Water District (the District) is a primary government. The District is governed by a Board of Trustees appointed by the Woodford County Board. However, without the approval of another government, the District has the authority to issue general obligation bonds and to levy property taxes. The District has the right to sue and to be sued and has the right to buy, sell, lease, or mortgage property in its own name.

Except for the effects of not recording water mains donated to the District in prior years as further described in Paragraph G, the District's accounting policies conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the significant policies. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

A. Financial Reporting Entity

Generally accepted accounting principles require the financial reporting entity to include the primary government and other organizations for which the primary government is financially accountable (component units). Financial accountability includes the primary government's ability to appoint a voting majority of the organization's governing body and the ability to impose will on an organization if an organization is fiscally dependent on the primary government. Based on this guidance, management has determined there are no component units required to be included in the District's basic financial statements.

B. Basis of Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities (waterworks operation). Revenue is provided through user charges, which are designed to pay operating expenses and provide for a net income to finance the continued operations of the system. The District recognizes water services provided, service call and hook-up fees, and capital improvement fees as operating revenues. Operating expenses include the costs of services, administrative costs, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

The District's financial statements are presented using the 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.

Basis of Accounting

Except for the effects of not recording water mains donated to the District as further described in Paragraph G, the District's financial statements are presented using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when an obligation is incurred, regardless of the timing of related cash flows.

D. Cash and Cash Equivalents

For the purpose of financial reporting, "cash and cash equivalents" include all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

E. Compensated Absences

The District's policy for compensated absences permits employees to accumulate and carry over up to five days of unused vacation on a calendar-year basis. Upon separation, employees are paid for earned, unused vacation time. Employees can also accumulate and carry over up to 30 days of unused sick days on a calendar-year basis; however, no sick days accrued or currently earned will be paid upon separation of the employee. The policy does not allow employees to accumulate any personal days if not used. The amount of accrued compensated absences at June 30, 2020 and 2019, was \$20,228 and \$17,020, respectively.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles used by the District requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

G. Capital Assets

Capital assets are defined by the District as assets with an initial useful life of one year or greater. The costs of maintenance and repairs that do not add to the value or materially extend asset lives are not capitalized. Capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Donated capital assets are recorded at estimated fair value at the date of donation, except for water mains donated by developers. The District has not recorded the cost or estimated fair value of water mains donated to the District by real estate developers in prior years, and records are not available to determine the effects of the omission of the donated assets and the related understatement of net position. Generally accepted accounting principles require that contributed assets be recorded at their estimated fair value as of the date they are received. Beginning in fiscal year 2019, the District began recording donated water mains at estimated fair value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is capitalized and included in the value of the asset constructed or improved. There was no interest expense capitalized by the District during the current fiscal year. Depreciation is provided over the assets' estimated useful lives using the straight-line method. The range of estimated useful lives by type of asset is as follows:

Building improvements	5 - 20 years
Machinery and equipment	3 - 10 years
Waterworks system	5 - 40 years

H. Equity Classification

Equity is classified as net position and displayed in three components:

- (1) Net investment in capital assets - Consists of 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 improvements of those assets.
- (2) Restricted net position - Restricted resources with constraints placed on their use by external groups or by law through constitutional provisions or enabling legislation.
- (3) Unrestricted net position - All other resources that do not meet the definition of restricted or net investment in capital assets.

It is the District's policy to first use restricted resources prior to the use of unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

I. Receivables

Receivables at June 30, 2020 and 2019, include \$24,487 and \$22,792, respectively, from customers for unbilled water usage. Unbilled water usage represents the water services that have been provided but not yet billed.

NOTE 2. CASH AND CASH EQUIVALENTS

The State authorizes the District to make deposits in interest-bearing depository accounts in federally insured and/or state-chartered banks and savings and loan associations, or other financial institutions, as designated by ordinances, and to invest available funds in direct obligations of, or obligations guaranteed by, the United States Treasury or agencies of the United States, money market mutual funds whose portfolios consist of government securities, Illinois Funds Money Market Fund, and annuities.

The District's cash at June 30, 2020, consisted of deposits with financial institutions. Deposits with financial institutions are covered by FDIC or NCUA insurance. Custodial credit risk for deposits is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2020, the District had no deposits exceeding the insured limits. The District does not have a deposit policy for deposits in excess of FDIC limits.

NOTE 3. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets not being depreciated:				
Land	\$ 221,415	\$ -	\$ -	\$ 221,415
Other capital assets:				
Building improvements	57,951	-	-	57,951
Machinery and equipment	98,093	29,636	-	127,729
Office equipment	27,341	6,279	-	33,620
Waterworks system	12,559,072	60,130	-	12,619,202
Total other capital assets	12,742,457	96,045	-	12,838,502
Less accumulated depreciation for:				
Building improvements	18,208	2,873	-	21,081
Machinery and equipment	68,788	10,232	-	79,020
Office equipment	21,890	1,677	-	23,567
Waterworks system	4,589,001	315,077	-	4,904,078
Total accumulated depreciation	4,697,887	329,859	-	5,027,746
Other capital assets, net	8,044,570	(233,814)	-	7,810,756
Total capital assets, net	\$ 8,265,985	\$ (233,814)	\$ -	\$ 8,032,171

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets not being depreciated:				
Land	\$ 221,415	\$ -	\$ -	\$ 221,415
Other capital assets:				
Building improvements	57,951	-	-	57,951
Machinery and equipment	98,093	-	-	98,093
Office equipment	22,441	4,900	-	27,341
Waterworks system	12,333,470	225,602	-	12,559,072
Total other capital assets	12,511,955	230,502	-	12,742,457
Less accumulated depreciation for:				
Building improvements	15,334	2,874	-	18,208
Machinery and equipment	58,329	10,459	-	68,788
Office equipment	21,027	863	-	21,890
Waterworks system	4,281,670	307,331	-	4,589,001
Total accumulated depreciation	4,376,360	321,527	-	4,697,887
Other capital assets, net	8,135,595	(91,025)	-	8,044,570
Total capital assets, net	\$ 8,357,010	\$ (91,025)	\$ -	\$ 8,265,985

NOTE 4. LONG-TERM DEBT

The changes in the District's long-term debt for the year ended June 30, 2020, are as follows:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Amount Due Within One Year
Long-term debt:					
IEPA loans payable	\$ 4,959,519	\$ -	\$ 523,369	\$ 4,436,150	\$ 536,347
PPP loan payable	-	48,704	-	48,704	-
Total long-term debt	\$ 4,959,519	\$ 48,704	\$ 523,369	\$ 4,484,854	\$ 536,347

The changes in the District's long-term debt for the year ended June 30, 2019, are as follows:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Amount Due Within One Year
Long-term debt:					
IEPA loans payable	\$ 5,470,227	\$ -	\$ 510,708	\$ 4,959,519	\$ 523,369

On June 27, 2006, the District obtained a loan from the Illinois Environmental Protection Agency (IEPA) for a drinking water project. The loan bears interest at a fixed interest rate of 2.5 percent. The loan requires semi-annual payments with the final payment due on December 24, 2027.

On August 12, 2011, the District obtained a \$305,394 loan from the Illinois Environmental Protection Agency (IEPA) for the purpose of installing a water main along with the rehabilitation of the water storage tank. The loan has a fixed interest rate of 1.25 percent and 20-year repayment term, maturing May 19, 2032.

The schedule of principal and interest requirements of the IEPA loans is as follows:

Fiscal Year	Interest	Principal	Total
2021	\$ 105,246	\$ 536,347	\$ 641,593
2022	91,944	549,648	641,592
2023	78,310	563,282	641,592
2024	64,336	577,257	641,593
2025	50,012	591,580	641,592
2026-2030	61,861	1,585,890	1,647,751
2031-2032	541	32,146	32,687
	<u>\$ 452,250</u>	<u>\$ 4,436,150</u>	<u>\$ 4,888,400</u>

The IEPA loan ordinances require the District to segregate and restrict certain monies in a separate account as follows:

Account	Amount	Nature of Authorized Expenditures
Loans and interest	A repayment fund must be established and maintained for the payment of principal and interest, with a reasonable carryover balance (from year to year) not to exceed the greater of (a) earnings on money in the fund for the preceding bond year or (b) 1/12 of the principal and interest payments on the loan(s) for the preceding bond year.	Paying principal and interest on IEPA loans.

As of June 30, 2020 and 2019, the District had cash of \$53,466 restricted to this account, reported as restricted net position on the Statements of Net Position.

In April 2020, the District was approved for a Payroll Protection Program (PPP) loan under the CARES Act for \$48,704. The loan will be forgiven to the extent of the cost of payroll, utilities, and rent incurred in the eight or twenty-four weeks following the date of the loan. The loan is unsecured and bears an annual interest rate of one percent. Principal and interest payments of \$2,741 are due beginning November 2020 for the balance of the loan that is not forgiven. The District believes it meets the eligibility requirements for loan forgiveness.

NOTE 5. EMPLOYEE BENEFIT PLAN

The District has a 401(k) defined contribution employee benefit plan. The Plan is available to all employees who meet certain eligibility requirements. For eligible employees, the District contributes the lesser of 6 percent of their eligible salary or the highest percentage allocated, matching up to 6 percent of employee contributions. For the years ended June 30, 2020 and 2019, contributions to the Plan amounted to \$64,087 and \$41,692, respectively, and consisted of \$29,638 and \$18,224, respectively, of employee withholdings and \$34,449 and \$23,468, respectively, of employer contributions.

NOTE 6. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; workers' compensation; and natural disasters. The District carries commercial insurance coverage for these risks of loss. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

NOTE 7. UNCERTAINTY

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the "COVID-19 outbreak"). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant negative impact on the global economy. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the District as of August 28, 2020, management believes that a material impact on the District's financial position and results of future operations is reasonably possible.