

SANGAMON VALLEY PUBLIC WATER DISTRICT

Mahomet, Illinois

**Financial Statements  
And Other Information**

For the Years Ended  
December 31, 2020 and 2019

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Sangamon Valley Public Water District  
Mahomet, Illinois

We have audited the accompanying financial statements of the Sangamon Valley Public Water District (the District) as of and for the years ended December 31, 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.

### **Auditor's 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not



CERTIFIED PUBLIC ACCOUNTANTS and CONSULTANTS

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.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 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*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 11 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 audits 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The information contained in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Martin Hood LLC*

Champaign, Illinois  
June 29, 2021

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) is an introduction to the basic financial statements and other information of the District. MD&A should be read in conjunction with the basic financial statements, notes to financial statements, and other information. MD&A provides management's perspective on the performance of the District in the current year and its financial condition at year-end.

### **Financial Highlights – 2020**

Sangamon Valley Public Water District ended the year 2020 in stable financial condition. The following are key financial highlights:

1. 2020 was dry weather year bordering on drought during the fall season. In addition to the dry weather water usage from people staying home through the pandemic aided in a record water sales year. The total water sales were at 116,070,997 gallons or \$1.634 million.
2. The District's total net position (net-worth) increased from \$10,568,978 in 2019 to \$11,025,160 in 2020. This year's steady positive change in net position was contributed to by additional donated capital in the amount of \$268,247 and \$115,866 surplus operating budget.
3. The District 2020 debt service ratio exceeded the minimum industry standard requirements of 1.25: 1.00 net operating revenue plus depreciation and amortization to annual debt service. The debt service coverage ratio was 1.79: 1.00.
4. 2020 strong cash and cash equivalents at \$1.817 million compared to \$1.489 million in 2019. Liquidity remains strong and provides exceptional buffer for any unforeseeable emergency.
5. In 2020, 55 percent of operating revenue was used for operating expenses, excluding depreciation and amortization. This is very good benchmark and will allow sufficient operating revenue for future capital and financial investment.
6. The District's procedure to budget annually for operation and maintenance cost, amortization cost, and depreciation has produced an end of year operating revenue surplus of \$115,866.
7. In 2020, the District's capital additions totaled \$449,253. Please reference page 10 for more details.
8. The District's depreciable capital assets saw a minimal decline in 2020 to \$13.769 million. The predictable minor decreases or steady increases in depreciable assets is a good indicator of the water district's commitment to recapitalization of our infrastructure.
9. The housing market continued to show steady growth in 2020, with 42 new housing permits issued. This is a 2.3 percent increase in the District's total homes served with water service from 2019.

10. In summary, the water district saw a stable and predictable financial year in 2020. Water sales were steady when compared to recent historical years. Housing growth was unexpectedly steady due to COVID-19. Operating expenses increased by 6.4% with professional services and salaries being the main driving cost factors. Recapitalization remained steady as the water district remains committed to investment in infrastructure.

### **Financial Highlights – 2019**

Sangamon Valley Public Water District ended the year 2019 in stable financial condition. The following are key financial highlights:

1. 2019 was a typical weather year with no major drought or prolonged flood seasons. This made water sales stable and predictable throughout the year. Total sales were at 109,586,052 gallons or \$1.589 million.
2. The District's Total net position (net-worth) increased from \$9,881,767 in 2018 to \$10,568,978 in 2019. This year's steady positive change in net position was contributed to by additional donated capital in the amount of \$444,207 and \$240,000 surplus operating budget.
3. The District 2019 debt service ratio exceeded the minimum industry standard requirements of 1.25: 1.00 net operating revenue plus depreciation and amortization to annual debt service. The debt service coverage ratio was 2.05: 1.00.
4. 2019 strong cash and cash equivalents at \$1.489 million compared to \$1.314 million in 2018. Liquidity remains strong and provides exceptional buffer for any unforeseeable emergency.
5. In 2019, 50 percent of operating revenue was used for operating expenses, excluding depreciation and amortization. This is very good benchmark and will allow sufficient operating revenue for future capital and financial investment.
6. The District's procedure to budget annually for operation and maintenance cost, amortization cost, and depreciation has produced an end of year operating revenue surplus of \$240,691.
7. In 2019, the District's capital additions totaled \$593,184. Please reference page 10 for more details.
8. The District's depreciable capital assets remain steady in 2019 at \$13.956 million. The stable or continued increase in depreciable assets is a good indicator of the Water District's commitment to recapitalization of our infrastructure.
9. The housing market continued to show steady growth in 2019, with 29 new housing permits issued. This is a 1.6 percent increase in water service connections from 2018.

10. In summary, the water district saw a stable and predictable financial year in 2019. Water sales and housing growth were both steady when compared to recent historical years. Expenses remain stable with little or no aggregate change to the operation and maintenance expense. Recapitalization remained steady as the water district remains committed to investment in infrastructure.

### **Using This Annual Report**

The basic financial statements are the balance sheet, statement of revenues, expenses, and changes in net position, and the statement of cash flows. These financial statements were prepared using the full accrual accounting method used by businesses in the private sector.

The balance sheet presents the financial position of the District on a full accrual historical cost basis. The balance sheet provides information on all the assets and liabilities of the District with the difference between the two being the District's net position. Increases or decreases in net position are one indicator of whether the District's financial position is improving or deteriorating.

The statement of revenues, expenses, and changes in net position provides the performance of the District over its fiscal year, which is the twelve-month period ended December 31. This statement presents the detail of how the net position presented on the balance sheet changed over the fiscal year. All activities that increase or decrease net position are reflected on this statement when they occur rather than when the related cash flow occurs.

The cash flow statement presents the increase or decrease in cash and cash equivalents during the fiscal year resulting from the operating, financing, and investing activities of the District. This statement simply presents the increases and decreases in cash and cash equivalents without regard to related revenues/receivables and expenses/liabilities.

The notes to financial statements provide further information on the items reported in the basic financial statements. This information is essential for the reader of this report to acquire a full understanding of the amounts in the financial statements and other commitments and events not reflected in the financial statements. The other information also provides further detail on the District's insurance coverage and operating statistics.

### **The District as a Whole**

The District's net position increased from \$10,568,978 to \$11,025,160. This is an increase of \$456,182 from the prior year. Our analysis below focuses on the net position (Table 1), and changes in net position (Table 2) of the District.

**Table 1**  
**Net Position**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current and Other Assets	\$ 2,614,986	\$ 2,330,908	\$ 2,051,655
Capital Assets	13,769,647	13,956,918	13,987,193
Total Assets	<u>16,384,633</u>	<u>16,287,826</u>	<u>16,038,848</u>
Long-Term Liabilities	4,847,321	5,248,829	5,689,944
Other Liabilities	512,152	470,019	467,137
Total Liabilities	<u>5,359,473</u>	<u>5,718,848</u>	<u>6,157,081</u>
Net Position:			
Net Investment in			
Capital Assets	8,606,473	8,398,283	7,935,309
Restricted for Debt Service	80,983	74,603	90,682
Unrestricted	<u>2,337,704</u>	<u>2,096,092</u>	<u>1,855,776</u>
Total Net Position	<u>\$ 11,025,160</u>	<u>\$ 10,568,978</u>	<u>\$ 9,881,767</u>

**2020** – Total net position increased by \$456,182 from 2019. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by enabling legislation or other legal requirements – increased by \$241,612 (\$2,337,704 compared to \$2,096,092).

**2019** – Total net position increased by \$687,211 from 2018. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by enabling legislation or other legal requirements – increased by \$240,316 (\$2,096,092 compared to \$1,855,776).



**Table 2**  
**Changes in Net Position**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating Revenues:			
Service Fees - Securing Revenue Bonds	\$ 1,669,901	\$ 1,689,699	\$ 1,594,605
Other Operating Revenues	21,516	24,971	34,630
Total Operating Revenues	<u>1,691,417</u>	<u>1,714,670</u>	<u>1,629,235</u>
Operating Expenses:			
Depreciation and Amortization	633,497	615,415	613,098
Salaries	300,282	241,961	278,272
Other Operating Expenses	641,772	616,603	576,250
Total Operating Expenses	<u>1,575,551</u>	<u>1,473,979</u>	<u>1,467,620</u>
Operating Income	<u>115,866</u>	<u>240,691</u>	<u>161,615</u>
Non-Operating Revenues (Expenses):			
Sewer Hook-On Fees	78,898	39,850	46,500
Water Access Fees	99,450	65,550	74,462
Other Income	-	4,160	29,084
Interest Income	19,614	23,169	7,879
Interest Expense	(128,047)	(137,878)	(158,341)
Net Non-Operating Revenues (Expenses)	<u>69,915</u>	<u>(5,149)</u>	<u>(416)</u>
Increase in Net Position Before Other Revenue	<u>185,781</u>	<u>235,542</u>	<u>161,199</u>
Other Revenue:			
Donated Property	268,247	444,207	220,022
Capital Grants	2,154	7,462	7,462
Total Other Revenue:	<u>270,401</u>	<u>451,669</u>	<u>227,484</u>
Increase in Net Position	456,182	687,211	388,683
Net Position, Beginning of Year	<u>10,568,978</u>	<u>9,881,767</u>	<u>9,493,084</u>
Net Position, End of Year	<u>\$ 11,025,160</u>	<u>\$ 10,568,978</u>	<u>\$ 9,881,767</u>

**2020** – In 2020, water rates remained stable. The District saw a 2.3 percent increase in the number of customers compared to 2019, with 42 homes built in 2020. The dry weather pattern and customers staying at home due to the pandemic increased water gallons sold by 5.7 percent from 2019. 2020 was a record water sales year. Compared to 2019 the District saw a 9.7% increase in operating expenses, less depreciation and amortization. This was due to employee salary increases and professional services related to differences in amounts of legal fees expected to be reimbursed by a settlement.

**2019** – In 2019, water rates remained stable. The District saw a 1.6 percent increase in the number of customers. Due to a typical weather pattern year with no droughts overall water gallons sold increased by 3.3 percent from 2018. The district saw no change in operating expenses, less depreciation and amortization. This was due to an over-all limited industry inflation, disciplined planning and good control of the budget.

### **Budgetary Highlights**

**2020** – As required by State of Illinois statute, the District prepares a cash basis budget each year for Board of Trustees’ oversight of operations. However, this budget does not set a legal limit on the District’s expenses. The highlights below give a brief picture of the major activities of the District for the year compared to budget.

1. Total operating revenue was stable and predictable at \$1,691,417 in 2020 compared to \$1,714,670 in 2019.
2. 2020 operating expenses less depreciation and amortization totaled \$942,054. Operating expenses increased in 2020.
3. Non-operating revenues from hook-on fees and interest income was \$197,962 in 2020. The housing market remained stable with respectful growth rates for the District.
4. A few Operating expenses saw significant increases from 2020:
  - a. Salaries – wages increased to be more competitive in the marketplace.
  - b. Professional Fees – increase due to the District’s past litigation related to capital projects and new security services.
  - c. Meter Materials– wastewater & meter purchases due to increase in new home construction.

**2019** – As required by State of Illinois statute, the district prepares a cash basis budget each year for Board of Trustees’ oversight of operations. However, this budget does not set a legal limit on the district’s expenses. The highlights below give a brief picture of the major activities of the district for the year compared to budget.

1. Total operating revenue was stable and predictable at \$1,714,670 in 2019 compared to \$1,629,235 in 2018.

2. 2019 operating expenses less depreciation and amortization totaled \$858,564. Operating expenses were stable in 2019.
3. Non-Operating revenues from Hook-on Fees, interest income and other income was \$132,279 in 2019. The housing market remains stable with regards to growth rates for the district.
4. A few Operating expenses saw significant increases from 2018:
  - d. Repair Maintenance - Increase was due to a few unforeseeable repair projects including Carter woods sewer lift station electrical service replacement, sewer plant pumps were rebuilt, and several repairs were made to the PUR-IX water softener system.
  - e. Chemicals and salt - The price of salt in particular continues to increase. Also, the water district increases the frequency and amount of sludge reducing bacteria used to treat the wastewater treatment plant lagoons.
  - f. Engineering - Future project planning of expanding the water district further north was the driving factor in increased engineering fees.
  - g. Office Expense - The water district added the following billing services: customer-based web portal upgrade, purchased backflow software module and purchased a new radio read receiver.
  - h. Tools - The purchase of new locating tools was the cost driving factor.

### Capital Asset Administration

At the end of 2020, the District had \$13,769,647 invested in a broad range of capital assets (see Table 3).

**Table 3**  
**Capital Assets at Year End**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Land and Land Improvements	\$ 772,586	\$ 685,775	\$ 591,074
Water Supply System	7,245,414	7,225,428	7,201,889
Water Distribution System	4,103,265	3,973,962	3,768,358
Sewer Treatment System	4,107,540	4,107,540	4,107,540
Sewer Collection System	6,367,762	6,202,764	5,962,312
Other Equipment	314,765	269,572	247,084
Other Capitalized Project Costs	1,255	1,255	1,255
Less: Accumulated Depreciation	<u>(9,142,940)</u>	<u>(8,509,378)</u>	<u>(7,892,319)</u>
Capital Assets, Net	<u>\$ 13,769,647</u>	<u>\$ 13,956,918</u>	<u>\$ 13,987,193</u>

**2020** – This year’s major capital additions (over \$5,000) included:

Ridge Creek 5th - Donated Water and Sewer Lines	\$ 268,247
South Prairie View Road Project	84,744
Miller Woods Northward Expansion	26,054
Hydromatic Pump	17,401
Trailer	14,500
Thornewood Generator Lift Station	9,041
Programming for Plant	8,247
Tuthill Blower	6,659
	<u>434,893</u>
	<u>\$ 434,893</u>

**2019** – This year’s additions included:

Prairie Crossing V - Donated Water and Sewer Lines	\$ 310,836
Thornewood 5th Phase II - Donated Water and Sewer Lines	133,371
WTP Road and Sewer Project	94,701
Water Plant Improvements	21,379
Security System	11,820
Portable Crane	8,177
Orion Pit Data and Laptop	6,000
Computer and Software Upgrades	3,500
Office Improvement	1,551
South Prairieview Road Water Distribution Project	1,183
Northward Expansion Project Phase I - Millerwood Water Distribution	666
	<u>593,184</u>
	<u>\$ 593,184</u>

More detailed information about the District’s capital assets is presented in Notes 2 and 6 to the financial statements.

### Debt Administration

**Table 4**  
**Outstanding Debt**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Bonds, Net of Premiums	\$ 630,904	\$ 753,930	\$ 926,974
Notes Payable	4,510,734	4,781,015	5,093,758
Unearned Grant Revenue	21,536	23,690	31,152
	<u>5,163,174</u>	<u>5,558,635</u>	<u>6,051,884</u>
Totals	<u>\$ 5,163,174</u>	<u>\$ 5,558,635</u>	<u>\$ 6,051,884</u>

**2020** – During the year, \$270,281 of notes payable was retired, \$123,026 of the bond’s payable was retired and \$2,154 of unearned grant revenue. The water district continues to reduce its debt-to-income ratio.

### **Economic Factors and Next Year’s Budget**

1. COVID -19 - Through July of 2021, effects on the water district financials have been minimal. The water district operating revenue which funds its day-to-day operation will remain stable in 2021. Non-operating revenue gained through the growth in new housing starts may slow in 2021. The District does not finance its day-to-day operations with non-operating revenue.
2. The water district credit rating as determined by Moody’s remains stable at A3.
3. The District’s forecast of a housing market slowdown revolves around Covid-19 supply shortages increasing price of materials and labor shortages creating wage pressures on home builders. The projected 2021 local housing market growth rate is forecast at 1.5 percent.
4. With our customers returning to the work force as COVID-19 restrictions are lifted water sales should remain stable in 2021. The water district expects operating revenues in 2021 will remain steady at \$1.691 million.
5. The District geographical area will expand from 2 square miles to over 50 square miles in 2021. The District will now be considered a rural county water supplier. This expansion in size will allow for customer base/water sales and asset growth to continue for the next twenty years. This expansion will require the District to hire and retain full time professional employees.
  - A. Employee health insurance cost will decrease slightly in 2021 due to aggregate demand on typical medical services decreasing during the pandemic.
  - B. The water district trustee’s compensation will remain the same in 2021.
  - C. Material supply shortages and wage pressures on the aggregate of the economy will ultimately put pressure on the cost to produce and treat water and sewer. With that being said, a water and sewer rate increase is probable in 2022 in order to maintain future end of year financial surpluses.
6. The budget for 2021 is balanced and includes expected increases in the following:
  - Salaries, deferred compensation, insurance, bonds payable, notes payable, chemicals, and utilities.

Overall, the District has a 2021 budget expectation for cash basis operating income surplus to be approximately \$10,165.

SANGAMON VALLEY PUBLIC WATER DISTRICT  
Balance Sheets  
December 31, 2020 and 2019

	2020	2019
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 1,817,278	\$ 1,489,080
User Accounts Receivable	190,386	189,801
Settlement Receivables	-	241,312
Inventory	8,278	8,278
Notes Receivable	2,173	3,242
Total Current Assets	2,018,115	1,931,713
<b>Capital Assets, Net</b>		
Non-Depreciable Capital Assets	537,349	537,349
Depreciable Capital Assets, Net of Accumulated Depreciation	13,232,298	13,419,569
Total Capital Assets, Net	13,769,647	13,956,918
<b>Other Assets</b>		
Cash and Cash Equivalents Set Aside for:		
Bond Reserve Requirements	556,635	360,708
Customer Deposits	33,014	30,161
Notes Receivable - Net of Current Portion	7,222	8,326
Total Other Assets	596,871	399,195
Total Assets	\$ 16,384,633	\$ 16,287,826
<b>LIABILITIES AND NET POSITION</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 119,786	\$ 89,190
Accrued Interest	42,293	39,651
Accrued Vacation	1,206	1,211
Customer Deposits	33,014	30,161
Notes Payable	273,951	268,372
Unearned Grant Revenue	4,781	5,175
Bonds Payable	35,000	35,000
Unamortized Bond Premiums	2,121	1,259
Total Current Liabilities	512,152	470,019
<b>Long-Term Liabilities</b>		
Notes Payable - Net of Current Portion	4,236,783	4,512,643
Unearned Grant Revenue - Net of Current Portion	16,755	18,515
Bonds Payable - Net of Current Portion	580,000	700,000
Unamortized Bond Premiums - Net of Current Portion	13,783	17,671
Total Long-Term Liabilities	4,847,321	5,248,829
Total Liabilities	5,359,473	5,718,848
<b>Net Position</b>		
Net Investment in Capital Assets	8,606,473	8,398,283
Restricted for Debt Service	80,983	74,603
Unrestricted	2,337,704	2,096,092
Total Net Position	11,025,160	10,568,978
Total Liabilities and Net Position	\$ 16,384,633	\$ 16,287,826

See Accompanying Notes

SANGAMON VALLEY PUBLIC WATER DISTRICT  
 Statements of Revenues, Expenses, and Changes in Net Position  
 For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Operating Revenues</b>		
Service Fees - Securing Bonds	\$ 1,669,901	\$ 1,689,699
Management Fees	13,793	12,352
Miscellaneous Sales, Net of Costs	7,723	12,619
Total Operating Revenues	<u>1,691,417</u>	<u>1,714,670</u>
<b>Operating Expenses</b>		
Depreciation and Amortization	633,497	615,415
Salaries	300,282	241,961
Professional Fees	109,705	33,404
Utilities and Telephone	98,184	99,571
Insurance	89,553	85,574
Repairs and Maintenance	85,946	93,968
Chemicals and Salt	74,751	73,062
Contract Services	25,828	50,453
Payroll Taxes	23,505	19,264
Meter Materials	20,260	10,847
Retirement Plan	19,340	18,831
Engineering	17,190	30,680
Office Expense	13,531	21,380
Vehicle	12,899	11,000
Lab Service Fees	9,462	9,301
Bad Debt Expense	6,165	6,283
NPDES Permit	2,500	2,500
Tools	1,185	10,416
Waived Penalties	-	16,194
Other	31,768	23,875
Total Operating Expenses	<u>1,575,551</u>	<u>1,473,979</u>
<b>Operating Income</b>	<u>115,866</u>	<u>240,691</u>
<b>Non-Operating Revenues (Expenses)</b>		
Sewer Hook-On Fees	78,898	39,850
Water Access Fees	99,450	65,550
Other Income	-	4,160
Interest Income	19,614	23,169
Interest Expense	(128,047)	(137,878)
Net Non-Operating Revenues (Expenses)	<u>69,915</u>	<u>(5,149)</u>
<b>Income Before Other Revenue</b>	<u>185,781</u>	<u>235,542</u>
<b>Other Revenue</b>		
Donated Capital Assets	268,247	444,207
Capital Grants	2,154	7,462
Total Other Revenue	<u>270,401</u>	<u>451,669</u>
<b>Increase in Net Position</b>	456,182	687,211
<b>Net Position, Beginning of Year</b>	<u>10,568,978</u>	<u>9,881,767</u>
<b>Net Position, End of Year</b>	<u>\$ 11,025,160</u>	<u>\$ 10,568,978</u>

See Accompanying Notes

SANGAMON VALLEY PUBLIC WATER DISTRICT  
 Statements of Cash Flows  
 For the Years Ended December 31, 2020 and 2019

	2020	2019
<b>Cash Flows from Operating Activities</b>		
Receipts from Customers	\$ 1,720,546	\$ 1,685,205
Payments to Vendors	(445,893)	(647,398)
Payments to Employees	(319,622)	(260,792)
Net Cash Provided by Operating Activities	955,031	777,015
<b>Cash Flows from Capital and Related Financing Activities</b>		
Payments Received on Notes Receivable	2,173	3,242
Interest Received on Notes Receivable	360	712
Purchases of Capital Assets	(112,502)	(103,813)
Settlement Receivables - Increase Related to Capital Assets Acquisitions	-	(29,000)
Principal Payments on Line of Credit	-	(51,742)
Interest Payments on Line of Credit	-	(241)
Principal Payments on Notes Payable	(270,281)	(261,001)
Interest Payments on Notes Payable	(95,196)	(18,624)
Principal Payments on Bonds Payable	(120,000)	(165,000)
Interest Payments on Bonds Payable	(30,209)	(122,709)
Payments Received for Hook-On Fees	78,898	39,850
Payments Received for Sewer Access Fees	99,450	65,550
Net Cash Used in Capital and Related Financing Activities	(447,307)	(642,776)
<b>Cash Flows from Investing Activities</b>		
Interest Received	19,254	22,457
<b>Net Increase in Cash and Cash Equivalents</b>	526,978	156,696
<b>Cash and Cash Equivalents, January 1</b>	1,879,949	1,723,253
<b>Cash and Cash Equivalents, December 31</b>	\$ 2,406,927	\$ 1,879,949
<b>Included in the Balance Sheet Under the Following Captions</b>		
Current Assets	\$ 1,817,278	\$ 1,489,080
Other Assets	589,649	390,869
Total Cash and Cash Equivalents	\$ 2,406,927	\$ 1,879,949
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
Operating Income	\$ 115,866	\$ 240,691
Adjustment to Reconcile Operating Income to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization	633,497	615,415
Other Income	-	4,160
(Increase) Decrease in Current Assets:		
User Accounts Receivable	(585)	(44,487)
Settlement Receivables - Related to Repairs	241,312	(52,312)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(37,907)	11,609
Customer Deposits	2,853	1,928
Accrued Vacation	(5)	11
Total Adjustments	839,165	536,324
Net Cash Provided by Operating Activities	\$ 955,031	\$ 777,015
<b>Supplemental Disclosure of Non-Cash Capital and Related Financing Activity</b>		
Capital Assets Contributed	\$ 268,247	\$ 444,207
Capital Assets Acquired Through Accounts Payable	\$ 68,503	\$ 45,164

See Accompanying Notes



SANGAMON VALLEY PUBLIC WATER DISTRICT  
Notes to Financial Statements  
December 31, 2020 and 2019

**1. Nature of Operations**

The Sangamon Valley Public Water District (the District) is a governmental unit serving as a public utility that provides water and sewer services to a residential area northeast of Mahomet, Illinois. The District operates as an enterprise fund, which accounts for operations in a manner similar to private business enterprises – where the intent of the governing body (the Board of Trustees) is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges. The District also provides management support services for the water operations of the Village of Seymour, Illinois.

The reporting entity of the District was determined based on the oversight responsibility and scope of the public services provided. Oversight responsibility is measured by the extent of financial interdependency, control over the selection of the governing authority and management, ability to significantly influence operations, and accountability for fiscal matters. Based on these criteria, there are no agencies or other units that have been or should be combined with the financial statements of the District.

The District periodically takes over responsibility for water and sewer lines constructed by housing developers within the District. When these donations occur, the District capitalizes the assets and records equivalent capital contributions revenue.

**2. Significant Accounting Policies**

- a. For financial reporting purposes, the District includes the operations of the single governmental unit, Sangamon Valley Public Water District.
- b. The financial statements of the District are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments. GAAP includes all relevant GASB pronouncements plus other sources of accounting and financial guidance noted in GASB Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.
- c. For purposes of the statement of cash flows, cash and cash equivalents refers to cash on hand, cash in demand deposit accounts, and all highly liquid investments and certificates of deposit with an initial maturity of three months or less.
- d. Inventory is stated at the lower of cost or market value with cost determined using the first-in, first-out method.

- e. Capital assets are stated at cost or, if donated, at the estimated acquisition value on the date of donation. The District's capitalization threshold is \$1,000 per unit. Depreciation of capital assets is computed using the straight-line method over the estimated useful lives of the assets, ranging from five to 50 years for the water and sewer system and three to 20 years for other capital assets.
- f. Unearned grant revenue equals the present value of the imputed interest on a non-interest-bearing note payable (see Note 8). Grant revenue is recognized annually equal to the imputed interest recorded for the loan.
- g. Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the District. Employees are eligible to be paid for all unused vacation at separation. The accrued vacation liability is calculated based on the employee's unused vacation balance and straight-time hourly rate.
- h. The District's operating revenues include revenue from the provision of water and sewerage services, which are billed monthly, and its retail sales of repair and maintenance parts to District customers.
- i. It is the District's policy to recognize all hook-on and sewer access fees charged to new users of the District as non-operating revenues.
- j. The District applies unrestricted resources before applying its restricted resources, which consist of bond reserves, when an expense is incurred for purposes for which both restricted and unrestricted net position is available.
- k. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The significant estimates included in these financial statements are the estimate of the allowance for doubtful accounts receivable and the useful lives of capital assets.
- l. In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement requires that interest costs incurred before the completion of a construction period be expensed in the period that the cost is incurred. The District has early adopted this statement, and it is effective for the year ended December 31, 2020. The adoption of this standard had no impact on net position for December 31, 2019, as previously reported, or on interest expense recorded for 2020.

### **3. Cash and Cash Equivalents**

The District is authorized to invest excess funds in instruments outlined under Chapter 30, Section 235, of the Illinois Compiled Statutes. Such instruments include obligations of the U.S. Treasury, savings accounts, certificates of deposit, and money market mutual funds.

### *Custodial Credit Risk – Bank Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District investment policy requires collateral from financial institutions for deposits in excess of federal deposit insurance levels if such deposits exceed ten percent of the capital and surplus of the financial institution. At December 31, 2020, the District had bank deposits of \$2,409,889, which reconciled to a book balance of cash and cash equivalents of \$2,406,927. Of the bank deposits balance at December 31, 2020, \$1,686,324 was in excess of insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC). Of the uninsured amount, \$1,603,254 was fully collateralized by securities pledged to the District by one of the depository banks. The remaining bank deposits amount of \$83,070 was uninsured and uncollateralized.

#### **4. User Accounts Receivable**

Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Management closely monitors outstanding balances and writes off, as of year-end, balances that it believes will not be collected. Thus, there is no allowance provided for doubtful accounts receivable at year end. Due to the timing of the District's billing cycle, user accounts receivable included \$44,405 and \$39,192 of unbilled receivables at December 31, 2020 and 2019, respectively, all of which are billed in January of the following year.

#### **5. Notes Receivable**

Notes receivable as of December 31, 2020 and 2019, represents amounts due from property owners for certain costs incurred in connection with the installation of water and sewer services at several subdivisions. The original maturities on these installment notes range from 10 to 40 years with annual interest of 5.5 percent. These notes are indirectly pledged as collateral on the District's borrowing. The District has filed liens on the related properties as collateral for the notes. There is no allowance for doubtful notes receivable at year end as management is unaware of any collection problems.

## 6. Capital Assets, Net

The following table provides a summary of changes in capital assets for 2020:

	December 31, 2019	Additions	Disposals	December 31, 2020
Depreciable Capital Assets				
Land Improvements	\$ 148,426	\$ 86,811	\$ -	\$ 235,237
Water Supply System	7,225,428	19,986	-	7,245,414
Water Distribution System	3,973,962	129,303	-	4,103,265
Sewer Treatment System	4,107,540	-	-	4,107,540
Sewer Collection System	6,202,764	164,998	-	6,367,762
Other Equipment	269,572	48,155	(2,962)	314,765
Other Capitalized Project Costs	1,255	-	-	1,255
Total Depreciable Capital Assets	21,928,947	449,253	(2,962)	22,375,238
Less: Accumulated Depreciation	(8,509,378)	(636,524)	2,962	(9,142,940)
Depreciable Capital Assets, Net	13,419,569	(187,271)	-	13,232,298
Non-Depreciable Capital Assets				
Land	537,349	-	-	537,349
	<u>\$ 13,956,918</u>	<u>\$ (187,271)</u>	<u>\$ -</u>	<u>\$ 13,769,647</u>

The following table provides a summary of changes in capital assets for 2019:

	December 31, 2018	Additions	Disposals	December 31, 2019
Depreciable Capital Assets				
Land Improvements	\$ 53,725	\$ 94,701	\$ -	\$ 148,426
Water Supply System	7,201,889	23,539	-	7,225,428
Water Distribution System	3,768,358	205,604	-	3,973,962
Sewer Treatment System	4,107,540	-	-	4,107,540
Sewer Collection System	5,962,312	240,452	-	6,202,764
Other Equipment	247,084	28,888	(6,400)	269,572
Other Capitalized Project Costs	1,255	-	-	1,255
Total Depreciable Capital Assets	21,342,163	593,184	(6,400)	21,928,947
Less: Accumulated Depreciation	(7,892,319)	(623,459)	6,400	(8,509,378)
Depreciable Capital Assets	13,449,844	(30,275)	-	13,419,569
Non-Depreciable Capital Assets				
Land	537,349	-	-	537,349
	<u>\$ 13,987,193</u>	<u>\$ (30,275)</u>	<u>\$ -</u>	<u>\$ 13,956,918</u>

Additions in 2020 include the fair value of water lines (\$103,249) and sewer lines (\$164,998) donated by real estate developers to the District. Additions in 2019 include the fair value of water lines (\$203,755) and sewer lines (\$240,452) donated by real estate developers to the District.

Depreciation and amortization on the statements of revenues, expenses, and changes in net position for 2020 and 2019 are net of \$3,026 and \$8,044, respectively, related to bond premium amortization.

The District took legal action against the tank manufacturer/installer for the Water Supply System project completed in 2016. This settlement was presented on Exhibit A and is included in Exhibit A in the Settlement Receivables in the amount of \$189,000 to represent an estimate of the amount owed to the District at December 31, 2019. The Water Supply System project asset was reduced by \$115,000 as of December 31, 2018, to account for these settlements against the previously capitalized cost of the water supply system project completed in 2016. The District received a final settlement payment of \$160,000 in 2020. The remaining \$29,000 of the receivable that was not received was recorded to legal expense in 2020, which is included in professional fees expense on Exhibit B.

The District also received payment in 2020 of \$52,312 from an unrelated contractor for damages done by the contractor to the property of the District. This amount is included in Exhibit A in the Settlement Receivables at December 31, 2019.

## **7. Bonds Payable**

### *2010 Bond Series*

On December 1, 2010, the District issued alternate revenue bonds totaling \$1,085,000 to refund the Waterworks and Sewerage Refunding Revenue Bonds, Series 2002. The new issue is known as the General Obligation Bonds (Alternate Revenue Source), Series 2010. The remaining bonds mature as follows on January 1: \$85,000 in 2021, \$180,000 in 2023 and \$190,000 in 2025, and bear interest in amounts ranging from 1.90 to 5.15 percent per annum, payable at January 1 and July 1 annually. Bonds are subject to redemption prior to maturity at the option of the District as of January 1, 2022. The bonds can be redeemed at the redemption price, plus accrued interest to such redemption date. The bonds are general obligations of the District but are payable from net revenue derived by the District from the operation of the water and sewerage systems (pledged revenues). As a general obligation, the bonds are also secured by an annual property tax levy, which the District will abate as long as the pledged revenues are sufficient to pay debt service requirements.

Aggregate principal sinking fund requirements and annual interest requirements on the Series 2010 bonds are as follows:

Year	Principal	Interest	Total
2021	\$ -	\$ 8,828	\$ 8,828
2022	90,000	15,338	105,338
2023	90,000	10,928	100,928
2024	95,000	6,626	101,626
2025	95,000	2,209	97,209
Total	\$ 370,000	\$ 43,929	\$ 413,929

*2012 Bond Series*

On March 26, 2012, the District issued alternate revenue bonds totaling \$1,000,000. The new issue was known as the General Obligation Bonds (Alternate Revenue Source), Series 2012. These bonds bore interest in amounts ranging from 3.25 to 3.50 percent per annum, payable at January 1 and July 1 annually. The principal payment was due annually on January 1. The bonds were general obligations of the District but were payable from net revenue derived by the District from the operation of the water and sewerage systems (pledged revenues).

As a general obligation, the bonds were also secured by an annual property tax levy, which the District abated annually.

The District made the final payment for all remaining principal and interest due January 1, 2020 in December 2019, and there are no remaining balances on this bond at December 31, 2020 or December 31, 2019.

*2013 Bond Series*

On June 4, 2013, the District issued alternate revenue bonds totaling \$460,000 to refund the Water and Sewerage System Junior Lien Revenue Bonds, Series 2006. The issue is known as the General Obligation Bonds (Alternate Revenue Source), Series 2013. These bonds bear interest in amounts ranging from 2.45 to 4.50 percent per annum, payable at January 1 and July 1 annually. The principal payment is due annually on July 1. Bonds are subject to redemption prior to maturity at the option of the District as of July 1, 2021. The bonds can be redeemed at the redemption price, plus accrued interest to such redemption date. The bonds are general obligations of the District but are payable from net revenue derived by the District from the operation of the water and sewerage systems (pledged revenues). As a general obligation, the bonds are also secured by an annual property tax levy, which the District will abate as long as the pledged revenues are sufficient to pay debt service requirements.

Aggregate principal maturities and interest required on the Series 2013 bonds are as follows:

Year	Principal	Interest	Total
2021	\$ 35,000	\$ 7,390	\$ 42,390
2022	40,000	5,815	45,815
2023	40,000	4,835	44,835
2024	40,000	3,775	43,775
2025	45,000	2,655	47,655
2026	45,000	1,350	46,350
Total	\$ 245,000	\$ 25,820	\$ 270,820

#### *Revenue Pledged for Bonds*

The District has pledged future revenues to repay the principal and interest of the bonds. Principal and interest on these bonds are payable through July 2026 from the District's operating revenues. Annual principal and interest payments on the bonds are expected to require approximately a maximum of 20 percent of such revenues. The principal and interest payments for 2020 and 2019 were \$146,514 and \$287,709, respectively. The District's operating revenues totaled \$1,679,157 and \$1,709,343 for 2020 and 2019, respectively. At December 31, 2020, pledged future revenues totaled \$675,920, which is the amount of the remaining principal and interest on the bonds.

#### *Bond Reserve Requirements*

The bond ordinances require the following funded reserves:

*Operation and Maintenance Account* – The District is required to maintain a balance that exceeds the amount necessary to pay for one month's operation and maintenance costs of the District, which is \$77,483.

*Bond and Interest Account* – Each month, one-fifth of the next interest payment plus one-tenth of the next principal payment due must be deposited into the account for all bonds above. The money in the account is to be used only for the annual principal and semi-annual interest payments. The required balance in this account at December 31, 2020, is \$3,500.

The District has set aside additional funds beyond what was required for the bond reserves. At December 31, 2020, the additional amount set aside was \$475,652.

## **8. Notes Payable**

#### *Illinois Environmental Protection Agency*

The District has a note payable to the Illinois Environmental Protection Agency (IEPA) totaling \$143,572 at December 31, 2020, which matures June 29, 2030, and requires semi-annual interest and principal payments. This note payable is contractually non-

interest bearing. However, to reflect the time value of money and the financial benefit received by the District, the liability recorded in the financial statements for this note payable reflects future payments discounted at an imputed interest rate of 4.0 percent, which is management's best estimate of funding available to the District at the time of the note agreement. The discounted value of this note payable totals \$122,036 at December 31, 2020. The discount at December 31, 2020, totals \$21,536 and is presented as unearned grant revenue on the balance sheet.

The District has a note payable to the IEPA totaling \$4,388,698 at December 31, 2020, which matures February 15, 2035, and requires semiannual interest and principal payments. This note payable bears interest at a rate of 1.995 percent. The first \$650,000 drawn on this note was forgiven and was recorded as grant revenue in 2014. The District can borrow up to an additional \$245,522 on the note payable.

Each of the following shall constitute an event of default under the agreements: payment default, failure to comply with or to perform any other term contained in the agreements, false statements, and noncompliance with other applicable federal funding requirements. If an event of default occurs under these agreements, the lender may declare the entire unpaid principal balance and all accrued unpaid interest to be due immediately. There are no termination clauses, and the notes are subject to prepayment at any time.

Aggregate principal maturities required on these notes payable, including the unearned grant revenue, are as follows:

<u>Year</u>	
2021	\$ 278,732
2022	284,021
2023	289,416
2024	294,920
2025	300,533
2026-2030	1,585,196
2031-2035	1,499,452
Total	<u><u>\$ 4,532,270</u></u>



**9. Changes in Long-Term Debt**

The following is a summary of changes in long-term debt for 2020:

	December 31, 2019	Issued	Retired	December 31, 2020	Due Within One Year
Bonds Payable and Premiums	\$ 753,930	\$ -	\$ 123,026	\$ 630,904	\$ 37,121
Notes Payable	4,781,015	-	270,281	4,510,734	273,951
Unearned Grant Revenue	23,690	-	2,154	21,536	4,781
<b>Total Long-Term Debt</b>	<b>\$ 5,558,635</b>	<b>\$ -</b>	<b>\$ 395,461</b>	<b>\$ 5,163,174</b>	<b>\$ 315,853</b>

The following is a summary of changes in long-term debt for 2019:

	December 31, 2018	Issued	Retired	December 31, 2019	Due Within One Year
Bonds Payable and Premiums	\$ 926,974	\$ -	\$ 173,044	\$ 753,930	\$ 36,259
Notes Payable	5,093,758	-	312,743	4,781,015	268,372
Unearned Grant Revenue	31,152	-	7,462	23,690	5,175
<b>Total Long-Term Debt</b>	<b>\$ 6,051,884</b>	<b>\$ -</b>	<b>\$ 493,249</b>	<b>\$ 5,558,635</b>	<b>\$ 309,806</b>

**10. Interest on Long-Term Debt**

Total interest incurred and expensed for all long-term debt for 2020 and 2019 was \$128,047 and \$137,878, respectively.

**11. Retirement Plan**

The District sponsors a defined contribution pension plan known as the Sangamon Valley Public Water District Section 457 Governmental Deferred Compensation Plan. The plan was authorized by the District’s Board of Trustees and is administered by Lincoln Financial Group. The plan covers all employees and trustees. For full-time employees, the District contributes a percentage of their salary equal to the number of years employed times two, with a ceiling of 20 percent up to a maximum of \$10,000. If the percentage does not result in an annual contribution of \$600 by the District, the employee is required to contribute the remainder. District trustees have the option of contributing up to 100 percent of their salary. The plan’s requirements may be amended by the District’s Board of Trustees. All plan assets are held in trust by the third-party administrator only for the purpose of paying plan benefits.

Total expense incurred by the District for 2020 and 2019 was \$19,340 and \$18,831, respectively, which is included in retirement plan expense on the statements of revenues, expenses, and changes in net position.

**12. Risk of Loss**

Significant losses are covered by commercial insurance for property, liability, and worker's compensation. During 2020, there were no significant reductions in coverage. Also, there have been no settlement amounts that have exceeded insurance coverage in the past three years.

**13. Reclassification of Comparative Year Information**

Multiple reclassifications were made on the Statement of Revenues, Expenses, and Changes in Net Position for 2019:

- Office Expense of \$50,453 has been reclassified to Contract Services.
- Hook-On Fees were reclassified as Sewer Hook-On Fees and Sewer Access Fees were reclassified as Water Access Fees.
- \$5,327 of expenses for 2019 previously included in Miscellaneous Sales, Net of Costs in operating revenues has been reclassified to Other Expenses in the operating expenses.

These changes were made to correspond to the presentation for 2020. These reclassifications had no impact on the increase in net position for 2019 as previously reported. Additionally, \$14,573 for 2019 on the Statement of Cash Flows has been reclassified to Payments to Vendors from Payments to Employees to correspond to the 2020 presentation. This reclassification had no impact on the net increase in cash and cash equivalents for 2019 as previously reported.

**14. Uncertainty**

Beginning in March 2020, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government action to mitigate them. Accordingly, while management cannot quantify the financial and other impacts to the District as of independent auditor's report date, management believes that a material impact on the District's financial statements and results of future operations is reasonably possible.

SANGAMON VALLEY PUBLIC WATER DISTRICT  
 Unaudited Schedule of Insurance Coverage  
 December 31, 2020

<u>Type of Coverage</u>	<u>Name of Insurer</u>	<u>Amount of Coverage</u>	<u>Policy Expiration Date</u>
General Liability	Cincinnati Insurance	\$ 3,000,000	11/1/21
Blanket Building	Cincinnati Insurance	8,474,500	11/1/21
Personal Property	Cincinnati Insurance	610,000	11/1/21
Workers' Compensation	Cincinnati Insurance	500,000	11/1/21
Commercial Umbrella	Cincinnati Insurance	5,000,000	11/1/21
Auto/Truck	Cincinnati Insurance	1,000,000	11/1/21
Boiler and Machinery	Cincinnati Insurance	9,084,500	11/1/21
Public Official Liability	Cincinnati Insurance	1,000,000	11/1/21
Contractor Equipment, Computers	Cincinnati Insurance	130,679	11/1/21
Site Pollution Liability	Axis Surplus Insurance	1,000,000	11/13/21
Public Official Bonds	Western Surety	350,000	5/3/22

The above summary of insurance protection is presented on the basis of unaudited information obtained from policies on file in the District's office. The amount and adequacy of the coverages were not investigated by the auditors.

SANGAMON VALLEY PUBLIC WATER DISTRICT  
 Unaudited Schedules of Operating Statistics  
 For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Number of Sewer Customers at December 31	1,767	1,741
Gallons of Sewage Treated (Influent) During the Year	158,279,570	179,516,382
Number of Metered Water Customers at December 31	1,885	1,851
Number of Unmetered Water Customers at December 31	-	-
Gallons of Water Pumped During the Year	130,212,924	124,625,389
Gallons of Water Billed During the Year	116,070,997	109,586,052

**Rates in Effect During 2020 and 2019**

Regular Rate: Residential

\$6.60 per 1,000 Gallons for Water (Minimum Bill 2,000 Gallons for \$19.55)  
 and \$6.60 per 1,000 Gallons for Sewer (Minimum Bill 2,000 Gallons for \$19.55)

Multi-Dwelling Rate: Multi-family/Commercial

\$6.60 per 1,000 Gallons for Water (Minimum Bill 2,000 Gallons for \$19.55)  
 and \$6.60 per 1,000 Gallons for Sewer (Minimum Bill 2,000 Gallons for \$19.55)