FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT



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Members of American Institute of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To The Board of Trustees Rock River Water Reclamation District Rockford, Illinois

We have audited the accompanying basic financial statements of the Rock River Water Reclamation District (the District), as of and for the year ended April 30, 2016, and the related notes to financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 District'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 respective financial position, of Rock River Water Reclamation District, as of April 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

The District adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68. The implementation of this guidance resulted in changes to the pension related liabilities, deferred inflows and outflows of resources, the pension related expense, notes presented in the notes to financial statements and required supplementary information. The effect of this change is disclosed in Note 9 to the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the table of contents 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 District's basic financial statements as a whole. The accompanying supplemental schedules and other supplemental information, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplemental schedules are the responsibility of management and were derived from and relate 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 supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2016 on our consideration of District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Sikich LLP Rockford, Illinois September 8, 2016

GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS

Management Discussion and Analysis - Unaudited

Our discussion and analysis of the Rock River Water Reclamation District's financial performance provides an overview of the District's financial activities for the fiscal year ended April 30, 2016. This information is presented in conjunction with the audited financial statements that follow this section.

Financial Highlights

- Total assets of the District exceeded its liabilities by \$ 295.1 million at April 30, 2016. Of this amount \$ 19.0 million is unrestricted, \$ 9.5 million is restricted and \$ 266.6 million of net investment in capital assets.
- Unrestricted net assets were \$ 19.0 million or 59.4% of total operating expenses of \$ 32.0 million.
- User fee rates per hundred cubic feet increased from \$2.79 in fiscal year 2015 to \$3.01 in fiscal year 2016.

Basic Financial Statements

The basic financial statements of the District are prepared using proprietary fund (enterprise fund) accounting that uses the same basis of accounting as private-sector business enterprises. The District is reported under one enterprise fund. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting is used. Revenues are recorded when earned and expenses are recorded when incurred. The basic financial statements include a balance sheet, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. These are followed by notes to the financial statements. In addition to the basic financial statements, this report also contains required supplementary information and certain other supplemental information.

The balance sheet presents information on the assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of revenues, expenses, and changes in net position reports the operating revenues and expenses and nonoperating revenue and expenses of the District for the fiscal year with the difference - the income or loss before contributions - being combined with any capital contributions to determine the net change in position for the fiscal year. That change combined with last year-end net position total reconciles to the net position total at the end of this fiscal year.

The statement of cash flows reports cash and cash equivalent activities for the fiscal year resulting from operating activities, non-capital financing, capital and related financing activities, and investing activities. The net result of these activities added to the beginning of year cash and cash equivalents balance reconciles to the cash and cash equivalent balance at the end of the current fiscal year. Contrary to the other basic financial statements, this statement is prepared on a cash basis.

Management Discussion and Analysis - Unaudited

Summary of Organization and Business

The Rock River Water Reclamation District (District) was originally incorporated as the Rockford Sanitary District in 1926 under the Sanitary District Act of 1917. The primary treatment plant was completed in 1931. A secondary treatment plant and additional treatment facilities were added in 1958. Use of vacuum filters began in 1968. In 1972 a bond issue was approved for expansion, and a pre-treatment program was instituted that same year. A nitrifying secondary system was added in 1996. A solid treatment upgrade including anaerobic solid digestion and centrifuge dewatering was completed in 2002.

Today the District covers nearly 100 square miles of Winnebago County and serves over 240,000 people in the communities of Rockford, Loves Park, Machesney Park, Roscoe, Cherry Valley, New Milford, a small part of Rockton and a number of unincorporated areas of Winnebago County.

In addition, the District entered into an agreement with the Village of Winnebago to own and operate their plant and collection system. The District is working to abandon their treatment plant as soon as practical by constructing an interceptor sewer line to the Village.

The District owns and maintains a majority of the wastewater collection sewers within the service area. The District's 1,131 mile-long (approximate) network of buried sewers conveys wastewater from residences, industrial sites and other businesses to the treatment plant in southeast Rockford. The collection facilities consist of gravity sewers, approximately 33 pumping stations, and pressure sewers. The gravity system consists of large and small diameter sewer lines. The largest gravity lines are interceptor and trunk sewers of diameters up to six feet. They often follow rivers, creeks and drainage ways. Eight and ten inch diameter lateral (neighborhood) sewers flow to larger interceptors and trunks.

Once the wastewater is collected, the District provides treatment at facilities located on Kishwaukee Street in Rockford. The District currently provides secondary wastewater treatment consisting of the following major treatment components:

- Raw wastewater pumping station with parshall flume for recording the quantity of incoming wastewater to the treatment facility.
- Bar screen and primary settling tanks.
- Aeration tanks that provide for biological removal of contaminates from the wastewater.
- Final settling tanks followed by chlorine contact tanks and the discharge of the treated wastewater to the Rock River.
- Solids removed from the wastewater are thickened and then pumped into heated anaerobic digesters where the wastes are stabilized and methane gas is produced. Those solids will be applied to farmland as a fertilizer and soil conditioner.
- The methane gas produced by the anaerobic digester is used as a fuel to operate generators that help produce heat for the anaerobic digester operation and electricity to operate the plant.

Management Discussion and Analysis - Unaudited

Financial Analysis

Net Position

The following schedule presents a summary of net asset comparisons for the fiscal years ended April 30, 2016 and 2015 (amounts in millions).

_	FY		FY		FY		FY FY		Increase (I		Decrease)	
	2	2016	2	2015	An	nount	%					
Current assets	\$	40.7	\$	39.9	\$	0.8	2.0%					
Capital assets, net		336.8		329.2		7.6	2.3%					
Deferred outflows of resources		3.6		-		3.6	0.0%					
Total assets		381.1		369.1		12.0	3.3%					
Current liabilities		11.1		10.4		0.7	6.7%					
Long-term debt, less current portion		69.9		63.9		6.0	9.4%					
Deferred inflows of resources		5.0		4.9		0.1	0.0%					
Total liabilities and deferred												
inflows of resources		86.0		79.2		6.8	8.6%					
Net investment in capital assets		266.6		258.3		8.3	3.2%					
Restricted net position		9.5		9.9		(0.4)	-4.0%					
Unrestricted net position		19.0		21.7		(2.7)	-12.4%					
Total net position	\$	295.1	\$	289.9	\$	5.2	1.8%					

By far the largest portion of the District's net position (90.3) percent reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment); less any related debt used to acquire those assets still outstanding. The District uses these capital assets to provide services to citizens and consumers; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated.

Management Discussion and Analysis – Unaudited

Revenue, expenses, and changes in net position

The following schedule presents a summary of revenues, expenses, and changes in net position for the fiscal years ended April 30, 2016 and 2015 (amounts in millions).

	I	ΞY]	FY	Inc	crease (D	ecrease)
	20	016	2	015	Am	ount	%
Operating revenues:							
User charges	\$	30.8	\$	29.0	\$	1.8	6.2%
Collection charges and penalties		0.5		0.3		0.2	66.7%
Other		0.8		1.3		(0.5)	-38%
Total operating revenues		32.1		30.6		1.5	4.9%
Nonoperating revenues:							
Property taxes		4.8		4.7		0.1	2.1%
Replacement taxes		1.5		1.7		(0.2)	-11.8%
Investment income		0.2		0.1		0.1	100.0%
Other nonoperating revenues		0.6		0.3		0.3	100.0%
Total nonoperating revenues		7.1		6.8		0.3	4.4%
Total revenues		39.2		37.4		1.8	4.8%
Operating expenses:							
Operations		14.6		14.6		-	0.0%
Administration		4.5		4.2		0.3	7.1%
Depreciation		12.9		10.9		2.0	18%
Total operating expenses		32.0		29.7		2.3	7.7%
Nonoperating expenses –							
Interest expense		1.9		1.8		0.1	5.6%
Total nonoperating expenses		1.9		1.8		0.1	5.6%
Total expenses		33.9		31.5		2.4	7.6%
Income before contributions		5.3		5.9		(0.6)	-10.2%
Capital contributions		0.9		0.7		0.2	-29%
Change in net assets		6.2		6.6		(0.4)	6%
Net position, beginning, as previously reported		289.9		283.3		6.6	2.3%
Restatement		(1.0)				(1.0)	1.0
Net position, beginning, as restated		288.9		283.3		5.6	2.0%
Net position, ending	\$	295.1	\$	289.9	\$	5.2	1.8%

Management Discussion and Analysis - Unaudited

While the Balance Sheet report shows the change in financial position of net position, the Statement of Revenues, Expenses, and Changes in Net Position report provides answers as to the nature and source of these changes.

Capital Assets

Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are stated at cost or at estimated historical cost for purchased or constructed capital assets and at fair value for contributed capital assets. The following table summarizes the capital asset activity of the District (in thousands).

	FY 2016	FY 2015	<u>Increase</u>
Land	\$ 5,692	5,611	81
Treatment plant	115,749	114,492	1,257
Sewers and lift stations	371,362	366,263	5,099
Machinery & equipment	18,276	17,099	1,177
Construction in progress	30,731	18,237	12,494
Sub-total	541,810	521,702	20,108
Accumulated depreciation	205,054	192,528	12,526
Net capital assets	\$ 336,756	329,174	7,582

During fiscal year 2016 many projects, including the Fuller Creek (sewer line to Village of Winnebago), Flow Equalization Project and Co-Digestion were not completed and are reported as construction in progress. Various other projects were finished and contributed to the capital asset value increasing by \$20.1 million. More detailed information about the District's capital assets is presented in the notes to the financial statements.

Constructing a flow equalization basin that would capture quantities of wastewater that can not immediately be treated due to high flows through the plant is estimated to cost in excess of \$6 million and should be funded primarily by State Revolving Loan Fund monies. As of April 30, 2016 \$4,828,490 of expenditures had been incurred and reimbursed.

Long-term debt

At fiscal year-end the District had \$ 70.0 million in long-term debt, including the current portion. The District made principal payments of \$ 4.83 million and borrowed \$ 5.62 million in fiscal year 2016. Total debt increased by 0.98% compared to fiscal year 2015. More detailed information about the District's long-term debt is presented in the notes to the financial statements.

Management Discussion and Analysis - Unaudited

Other Selected Information

Selected Data:	2016	2015	Difference	% Change
Residential user rate per hundred cubic feet	\$ 3.01	\$ 2.79	\$ 0.22	7.88 %
Tax rates (previous assessment year)	\$ 0.2075	\$ 0.2008	\$ 0.0067	3.34 %
Area added to the District in acres	170.68	226.01	(55.33)	(24.48) %
Sanitary sewers built by the District and others (miles)	3.37	1.78	1.59	89.32 %
Full-time employees	110	110	0	0 %

District Contact Information

This financial report is designed to provide citizens, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Anyone having questions regarding this report or desiring additional information may contact Mr. Timothy S. Hanson, District Director, Rock River Water Reclamation District, 3501 Kishwaukee Street, P.O. 7480, Rockford, Illinois 61126-7480.



BALANCE SHEET

April 30, 2016

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS		
Cash and cash equivalents	\$	15,141,714
Investments		6,187,342
Restricted assets		
Investments		3,969,895
Receivables		
Billed user charges, net of allowance		
for uncollectible amounts of \$175,000		2,728,830
Property taxes		4,940,700
Other		936,319
Estimated unbilled user charges		6,396,390
Accrued interest income		31,389
Prepaid expenses		338,855
Total current assets		40,671,434
Long term receivables		14,924
Capital assets not being depreciated		36,422,509
Capital assets being depreciated, net		300,333,131
		, , ,
Total assets		377,441,998
DEFERRED OUTFLOWS OF RESOURCES		
Pension items - IMRF		3,606,351
Tension items - nanci		3,000,331
Total deferred outflows of resources		3,606,351
TOTAL A GOVERN AND		
TOTAL ASSETS AND	ф	201 040 240
DEFERRED OUTFLOWS OF RESOURCES	\$	381,048,349

BALANCE SHEET (Continued)

April 30, 2016

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

CURRENT LIABILITIES	
Current portion of long-term debt	\$ 5,712,274
Accounts payable	4,110,026
Accrued expenses	
Salaries and wages	156,837
Pension contribution	122,594
Accrued interest	691,017
Other	90,582
Due to other governments	 208,900
Total current liabilities	11,092,230
Total current intolinies	 11,072,230
LONG-TERM LIABILITIES	
Claims payable	829,873
Long-term debt, net of current maturities	64,262,396
Net pension liability	 4,789,256
Total long-term liabilities	69,881,525
Total long-term naomities	 09,001,323
Total liabilities	 80,973,755
DEFERRED INFLOWS OF RESOURCES	
Deferred revenue - property taxes	\$ 4,940,700
Total deferred inflows of resources	 4,940,700
NET POSITION	
Net investment in capital assets	266,551,066
Restricted assets	9,542,522
Unrestricted	 19,040,306
Total net position	 295,133,894
TOTAL LIABILITIES, DEFERRED INFLOWS	
OF RESOURCES, AND NET POSITION	\$ 381,048,349

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

OPERATING REVENUES	
User charges	Ф. 20 507 с15
Operation and maintenance	\$ 30,597,615
Inspection fees and other user charges	233,911
Total user charges	30,831,526
Collection charges and penalties	459,657
Other	816,152
Total operating revenues	32,107,335
OPERATING EXPENSES	
Operations	14,609,380
Administration	4,482,179
Depreciation	12,898,464
Total operating expenses	31,990,023
OPERATING INCOME	117,312
NON-OPERATING REVENUES (EXPENSES)	
Property taxes	4,805,294
Assessments	6,613
Contributions from property owners and other governments	474,405
Illinois personal property replacement taxes	1,518,683
Investment income	142,620
Gain on sale of asset	63,844
Interest expense	(1,874,634)
Total non-operating revenues (expenses)	5,136,825
INCOME BEFORE CAPITAL CONTRIBUTIONS	5,254,137
CAPITAL CONTRIBUTIONS	948,326
CHANGE IN NET POSITION	6,202,463
NET POSITION, MAY 1	289,882,903
Prior period adjustment	(951,472)
NET POSITION, MAY 1, RESTATED	288,931,431
NET POSITION, APRIL 30	\$ 295,133,894

STATEMENT OF CASH FLOWS

CASH FLOWS FROM OPERATING ACTIVITIES Received from customers Paid to suppliers for goods and services Paid to employees for services - including benefits	\$ 31,285,865 (7,448,628) (11,025,839)
Net cash from operating activities	12,811,398
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Tax proceeds received	6,539,490
Net cash from noncapital financing activities	6,539,490
CASH FLOWS FROM CAPITAL AND RELATED	
FINANCING ACTIVITIES	62.944
Proceeds on disposal of capital assets Contributions from property owners and other governments	63,844 474,405
Acquisition and construction of capital assets	(18,755,685)
Interest paid and fiscal charges	(2,216,965)
Proceeds from issuance of bonds	5,300,810
Principal payments on Illinois EPA loans and bonds	(4,763,010)
Proceeds from capital lease obligation	314,529
Payments on capital lease obligation	(63,513)
Net cash from capital and related	
financing activities	(19,645,585)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	131,554
Purchase of investments	(7,948,371)
Proceeds from sale of investments	9,014,752
Net cash from investing activities	1,197,935
NET DECREASE IN CASH AND CASH EQUIVALENTS	903,238
CASH AND CASH EQUIVALENTS, MAY 1	14,238,476
CASH AND CASH EQUIVALENTS, APRIL 30	\$ 15,141,714

STATEMENT OF CASH FLOWS (Continued)

RECONCILIATION OF OPERATING INCOME	
TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	\$ 117,312
Adjustments to reconcile operating income	
to net cash from operating activities	
Depreciation	12,898,464
Increase (decrease) in cash due to changes in	
assets and liabilities	
Receivables	
User charges	(1,271,175)
Other receivables	451,705
Long term receivables	(2,000)
Prepaid expenses	(10,684)
Deferred outflows - pension items - IMRF	(3,301,954)
Accounts payable	542,771
Accrued expenses and other liabilities	 3,386,959
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 12,811,398
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	
Wastewater sewer extensions contributed by area developers	
and other governments	\$ 948,326
Cost of capital assets included in accounts payable	\$ 2,121,864

NOTES TO FINANCIAL STATEMENTS

April 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Rock River Water Reclamation District (the District) was organized in 1926 under the Sanitary Districts Sewage Disposal Act of 1917 to acquire, develop, and manage the sewage disposal system. The District encompasses an area which includes the entire City of Rockford, City of Loves Park, Village of Machesney Park, Village of New Milford, Village of Cherry Valley, Village of Roscoe, Village of Winnebago, and a number of unincorporated areas within Winnebago County. The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, as applied to governmental units (hereinafter referred to as generally accepted accounting principals (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of the more significant accounting policies of the District:

a. Reporting Entity

The District is a separate autonomous taxing district governed by a five-member Board of Trustees, appointed by the Winnebago County Board Chairman with the advice and consent of the Winnebago County Board.

The District is considered to be a primary government as defined by GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations, are Component Units*, and GASB Statement No 61, *The Financial Reporting Entity: Omnibus*, since it is legally separate and fiscally independent. These financial statements include all functions, programs, and activities under the control of the Board of Trustees of the District.

b. Fund Accounting

Governmental resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the basic financial statements in this report, into a single fund.

The Enterprise Fund is used for the general operation, maintenance, and improvement of the sewage system. The Enterprise Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs

NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Fund Accounting (Continued)

(expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

c. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows and all liabilities and deferred inflows associated with the operation of these funds are included on the statement of net position. Proprietary fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position. Operating revenues and expenses are directly attributable to the operation of the proprietary funds. Non-operating revenue/expenses are incidental to the operations of these funds.

The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

d. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents represent cash in checking and money market accounts and any certificates of deposits and U.S. treasuries with an original maturity of three months or less. Any certificates of deposit and U.S. treasuries with maturity dates over three months are presented as investments.

e. Investments

Investments with a maturity date of less than one year from the date of purchase are recorded at cost or amortized cost. Investments with a maturity date of greater than one year, at time of purchase, if any, are stated at fair value.

f. Capital Assets

Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are stated at cost, except for donated assets, which are stated at fair market value on the date contributed.

NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Capital Assets (Continued)

Interest costs are capitalized when incurred by proprietary funds on debt where proceeds were used to finance the construction of assets.

Depreciation of plant and equipment is provided on the straight-line basis over the estimated useful lives of the respective assets as follows:

	Years
Treatment plant	15-30
Sewers and lift stations	15-50
Machinery and equipment	3-15
Computer software	10

No depreciation is taken in the year of the capitalization and a full year is taken in the year of retirement.

g. Property Taxes

Property taxes are assessed as of January 1 on real property. The District must file its tax levy with the Winnebago County Clerk by the second Tuesday of September. Generally, in April of the subsequent year, the County Clerk calculates the tax rates using the equalized assessed value of the District, as determined by the Illinois Department of Revenue. These rates are then extended against the equalized assessed value of each parcel of property. The tax bills are normally mailed by May 1 with payments generally due in two equal installments around June 1 and September 1.

Several of the District's levies are subject to tax rate limits. These tax limits and the District's tax rates for the 2015 tax levy are as follows:

	Limit	2015	
_	Rate	Rate	
Corporate	0.1660	0.1289	
Sewerage chlorination	0.0500	0.0345	
Public benefit	0.0500	0.0441	

The other tax levies of the District are not subject to tax rate limitations. The 2016 tax levy, which attached as an enforceable lien on property as of January 1, 2016, has not been recorded as a receivable as of April 30, 2016 as the tax has not yet been levied by the District and will not be levied until September 2016 and, therefore, the levy is not measurable at April 30, 2016.

NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. User Charges

User charges are recognized as revenue when earned. As of April 30, 2016, there were approximately three months of earned but unbilled user charges due to billing practices of water districts that supply the District with consumption information.

i. Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond the date of this report are recorded as prepaid expenses.

j. Restricted Assets

Proceeds of general obligation alternate revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

k. Bond Issuance Costs, Bond Discounts, and Bond Premiums

Bond discounts and bond premiums are deferred and amortized over the term of the bonds using the straight-line method. Bond discounts are presented as a reduction of the face amount of bonds payable; bond premiums are presented as an addition to the face amount of bonds payable. Bond issuance costs are expensed in the year they are incurred.

1. Compensated Absences

District employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination, death, or retirement. Earned vacation pay and one-half of all unused sick leave is paid upon termination of employment.

The District recognizes vacation expense as it is earned. Sick leave pay is recognized at the time the liability vests. An additional amount is accrued for salary-related payments directly and incrementally associated with payment made for compensated absences on termination.

m. Net Position

Restricted net position represents amounts required to be segregated by bond ordinance provisions. None of the net position has been restricted by enabling legislation adopted by the District. Net investment in capital assets represents the book value of capital assets less long-term debt principal outstanding issued to construct or acquire capital assets. If restricted or unrestricted funds are available for spending, the restricted funds are spent first.

NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

o. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The District's investment policy authorizes the District to invest in all investments allowed by Illinois Compiled Statutes (ILCS). These include deposits/investments insured by the Federal Deposit Insurance Corporation (FDIC), obligations or securities guaranteed by the United States Government, direct obligations of any bank as defined by the Illinois Banking Act, certain short-term commercial paper rated within the highest classification established by at least two standard rating services, certain money market mutual funds, repurchase agreements, and the Illinois Public Treasurers' Investment Pool (Illinois Funds).

It is the policy of the District to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District and conforming to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio. The primary objectives of the policy are, in order of priority, safety of principal, liquidity, and rate of return.

a. Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's investment policy requires pledging of collateral, including a letter of credit issued by a Federal Home Loan Bank, or private insurance, for all bank balances in excess of FDIC coverage, at an amount not less than 105% of the fair market value of the funds secured, with collateral held by the District, an independent third party, or a Federal Reserve Bank.

NOTES TO FINANCIAL STATEMENTS (Continued)

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

b. Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District attempts to match its investments with anticipated cash flow requirements. The District's investment's policy limits the average maturity of the total portfolio to a maximum of five years. Investments in securities in excess of five years shall coincide as nearly as practicable with the expected use of the funds.

The following are the District's investment in debt securities as of April 30, 2016:

		Investment Maturities (in Years)											
	Fair	Less than			Greater than								
Investment Type	Value	1	1-5	6-10	10								
U.S. agencies Negotiable certificates	\$ 511,188	\$ - 9	511,188	\$	- \$ -								
of deposit	9,646,050	6,941,415	2,704,635	-									
TOTAL	\$ 10,157,238	\$ 6,941,415	\$ 3,215,823	\$ -	- \$ -								

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The District limits its exposure to credit risk by pre-qualifying all financial institutions and other intermediaries with which the District conducts business. The Illinois Funds and U.S. agencies are rated AAAm by Standard & Poor's. The negotiable certificates of deposit are not rated.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the District will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the District's investment policy requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third party acting as the District's agent separate from where the investment was purchased or by the trust department of the bank where purchased, in the District's name. Illinois Funds are not subject to custodial credit risk.

NOTES TO FINANCIAL STATEMENTS (Continued)

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

b. Investments (Continued)

Concentration of credit risk is the risk that the District has a high percentage of its investments invested in one type of investment. The District limits its exposure to concentration of credit risk by establishes guidelines for diversification of the investment portfolio by limiting investments to certain investments categories and certain percentages of the portfolio.

3. CAPITAL ASSETS

Capital assets activity for the year ended April 30, 2016 was as follows:

	Balances				Balances
	 May 1	Additions	Deletions	Transfers	April 30
Capital assets not being depreciated					
Land	\$ 5,611,326	\$ 80,771	\$ -	\$ -	\$ 5,692,097
Construction in progress	 18,236,870	17,743,141	-	(5,249,599)	30,730,412
Total capital assets not					
being depreciated	 23,848,196	17,823,912	-	(5,249,599)	36,422,509
Capital assets being depreciated					
Treatment plant	114,491,559	352,322	-	905,451	115,749,332
Sewers and lift stations	366,263,315	1,079,747	-	4,018,525	371,361,587
Machinery and equipment	 17,098,563	1,223,983	(371,842)	325,623	18,276,327
Total capital assets being depreciated	497,853,437	2,656,052	(371,842)	5,249,599	505,387,246
Less accumulated depreciation					
Treatment plant	56,429,272	3,362,158	-	-	59,791,430
Sewers and lift stations	123,182,262	8,271,186	-	-	131,453,448
Machinery and equipment	 12,915,959	1,265,120	(371,842)	-	13,809,237
Total accumulated					
depreciation	 192,527,493	12,898,464	(371,842)	-	205,054,115
Net capital assets being depreciated	305,325,944	(10,242,412)	-	5,249,599	300,333,131
TOTAL CAPITAL ASSETS, NET	\$ 329,174,140	\$ 7,581,500	\$ -	\$ -	\$ 336,755,640

NOTES TO FINANCIAL STATEMENTS (Continued)

4. LONG-TERM LIABILITIES

The District's long-term liabilities outstanding consisted of the following at April 30, 2016:

		Balances May 1	1	Additions	Deletions	Balances April 30	Oue Within One Year
Illinois IEPA loans							
Sewer Lining Project	\$	844,245	\$	_	\$ (59,017)	\$ 785,228	\$ 60,502
McDonald Creek Project	·	1,385,764		_	(96,167)	1,289,597	98,587
Clarifier/Voltage Switches Project		324,502		_	(23,619)	300,883	24,213
Rock River East Project		1,461,721		-	(94,304)	1,367,417	94,305
Point Repair/Lining Project		1,979,592		-	(112,500)	1,867,092	113,910
Fuller Creek Project		12,782,380		-	(289,508)	12,492,872	534,882
Main Line Repairs/Lining Project		2,142,477		-	(87,895)	2,054,582	93,387
Excess Flow		-		4,828,490	-	4,828,490	-
Sewer Lining		-		472,320	-	472,320	
Total Illinois IEPA loans		20,920,681		5,300,810	(763,010)	25,458,481	1,019,786
Capital lease payable		66,957		314,529	(63,513)	317,973	132,767
D 1							
Bonds payable							
General Obligation Alternate Bonds, Series 2007		3,680,000			(220,000)	3,460,000	230,000
General Obligation Alternate		3,080,000		-	(220,000)	3,400,000	230,000
Bonds, Series 2008		7,870,000		_	(425,000)	7,445,000	425,000
General Obligation Alternate		7,070,000			(423,000)	7,443,000	423,000
Bonds, Series 2009		4,630,000		_	(260,000)	4,370,000	270,000
General Obligation Alternate		, ,			(,,	, ,	,
Bonds, Series 2010B		7,445,000		_	(400,000)	7,045,000	400,000
General Obligation Alternate							
Bonds, Series 2013A		9,700,000		-	-	9,700,000	1,595,000
Taxable General Obligation							
Alternate Bonds, Series 2013B		3,110,000		-	(2,345,000)	765,000	765,000
General Obligation Alternate							
Bonds, Series 2014		8,890,000			(350,000)	8,540,000	355,000
Total bonds payable		45,325,000		-	(4,000,000)	41,325,000	4,040,000
Bond premium (discounts)		1,102,262		3,298	(84,304)	1,021,256	81,006
Net OPEB obligation		248,422		13,440	(04,504)	261,862	61,000
Compensated absences		1,633,103		1,590,098	(1,633,103)	1,590,098	438,715
compensated absolices		1,000,100		1,570,070	(1,000,100)	1,000,000	150,715
TOTAL	\$	69,296,425	\$	7,222,175	\$ (6,543,930)	\$ 69,974,670	\$ 5,712,274

NOTES TO FINANCIAL STATEMENTS (Continued)

4. LONG-TERM LIABILITIES (Continued)

The aggregate maturities of long-term debt are as follows:

	Illinois E	PA Loans	General Obli	igation Bonds
Year Ending April 30,	Principal	Interest	Principal	Interest
2017	\$ 1,019,786	\$ 358,987	\$ 4,040,000	\$ 1,638,751
2018	1,038,009	340,763	3,010,000	1,522,910
2019	1,056,603	322,170	3,105,000	1,433,756
2020	1,075,575	303,198	3,195,000	1,342,683
2021	1,094,932	283,840	3,295,000	1,245,355
2022-2026	5,779,102	1,114,761	13,620,000	4,561,925
2027-2031	5,363,615	603,597	9,150,000	1,657,088
2032-2036	3,730,049	173,082	1,910,000	194,250
TOTAL	\$ 20,157,671	\$ 3,500,398	\$ 41,325,000	\$ 13,596,718

The following is a schedule of future minimum lease payments under the capital lease and the present value of minimum lease payments:

Year Ending	
April 30,	
2017	\$ 136,777
2018	107,309
2019	80,481
Total minimum lease payments	324,567
Amount representing interest	(6,594)
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	\$ 317,973

a. Illinois EPA Loans

Sewer Lining

The District began restoration of the sewer lines in various locations in October 2006 and was completed in April 2009.

In connection with this project, the District entered into a loan agreement with the Illinois EPA (IEPA), which provided a long-term loan. At April 30, 2016, the outstanding balance on the loan was \$785,228.

NOTES TO FINANCIAL STATEMENTS (Continued)

4. LONG-TERM LIABILITIES (Continued)

a. Illinois EPA Loans (Continued)

Sewer Lining (Continued)

The District paid principal and interest payments totaling \$79,568 during fiscal year 2016. The final repayment of the loan is due September 2027. Interest is at a rate of 2.5%.

McDonald Creek

The District began construction in December 2006 on a McDonald Creek project which was completed in March 2008.

In connection with this project, the District entered into a loan agreement with the IEPA, which provided a long-term loan. At April 30, 2016, the outstanding balance on the loan was \$1,289,597.

The District paid principal and interest payments totaling \$130,215 during fiscal year 2016. The final repayment of the loan is due September 2027. Interest is at a rate of 2.5%.

Clarifier/Voltage Switches

The District began construction in June 2007 on a Clarifier/Voltage Switches project which was completed in March 2008.

In connection with this project, the District entered into a loan agreement with the IEPA, which provided a long-term loan. At April 30, 2016, the outstanding balance on the loan was \$300,883.

The District paid principal and interest payments totaling \$31,585 during fiscal year 2016. The final repayment of the loan is due April 2027. Interest is at a rate of 2.5%.

Rock River East

The District entered into a water revolving fund loan agreement with the IEPA in fiscal year 2010 for the restoration of the sewer lines at Rock River East Interceptor. The Rock River East Project was completed during fiscal year 2011. The District paid principal and interest payments totaling \$94,305 during fiscal year 2016. The loan calls for semiannual principal payments of \$47,152, beginning June 2011 through maturity at June 2030, and bears interest at 0%. As of April 30, 2016, the outstanding balance on the loan was \$1,367,417.

NOTES TO FINANCIAL STATEMENTS (Continued)

4. LONG-TERM LIABILITIES (Continued)

a. Illinois EPA Loans (Continued)

Point Repair/Lining

The District entered into a water revolving fund loan agreement with the IEPA in fiscal year 2011 for sewer lining and point repair improvements. The loan calls for semiannual principal and interest payments through maturity at February 2031, and bears interest at 1.25%. The total amount of loan disbursements to be made to the District under this agreement is \$3,175,564, of which \$820,169 is not required to be repaid. As of April 30, 2016, the outstanding balance on the loan was \$1,867,092.

The District paid principal and interest payments totaling \$136,894 during fiscal year 2016. The final repayment of the loan is due February 2031. Interest is at a rate of 1.25%.

Fuller Creek Project

The District entered into a water revolving fund loan agreement with the IEPA in fiscal year 2014 for new trunk sewer and new regional pumping station with two new force mains. The Fuller Creek Project was completed during fiscal year 2016. The loan calls for semiannual principal and interest payments through maturity at February 2035, and bears interest at 1.93%. As of April 30, 2016, the outstanding balance on the loan was \$12,492,872. The District paid interest payments totaling \$773,426 during fiscal year 2016.

Main Line Repairs/Lining

The District entered into a water revolving fund loan agreement with the IEPA in fiscal year 2014 for lining and point repair on sanitary sewers throughout the District's collection system. The loan calls for semiannual principal and interest payments through maturity at July 2034, and bears interest at 1.93%. As of April 30, 2016, the outstanding balance on the loan was \$2,054,582. The District paid principal and interest payments totaling \$127,186 during fiscal year 2016.

Excess Flow

The District entered into a water revolving fund loan agreement with the IEPA in fiscal year 2016 for a new excess flow storage basin and excess flow pump station. The loan calls for semi-annual principal and interest payments through maturity at June 2036, and bears interest at 2.21%. The total amount of loan disbursements to be made to the District under this agreement is \$6,050,851. The District received \$4,828,490 in principal draws under this agreement during the year ended April 30, 2016. The excess flow project is still in the construction phase and therefore no repayment schedule has been determined as of April 30, 2016.

NOTES TO FINANCIAL STATEMENTS (Continued)

4. LONG-TERM LIABILITIES (Continued)

a. Illinois EPA Loans (Continued)

Sewer Lining

The District entered into a water revolving fund loan agreement with the IEPA in fiscal year 2016 for improvement of the sewer lines in various locations. The loan calls for semi-annual principal and interest payments through maturity at July 2036, and bears interest at 2.21%. The total amount of loan disbursements to be made to the District under this agreement is \$2,450,000. The District received \$472,320 in principal draws under this agreement during the year ended April 30, 2016. The excess flow project is still in the construction phase and therefore no repayment schedule has been determined as of April 30, 2016.

b. Capital Lease Payable

During fiscal year 2013, the District entered into a capital lease payable for computer equipment, payable in monthly installments of \$3,274 including interest at 2.9% through March of 2017.

The cost of the assets acquired under capital lease is \$182,643.

During fiscal year 2016, the District entered into a capital lease payable for computer equipment, payable in monthly installments of \$8,942 including interest from .89% to 2.99% through February of 2019.

The cost of the assets acquired under capital lease is \$290,709.

c. General Obligation Alternate Bonds

Series 2007

The District issued Series 2007, General Obligation Alternate Bonds on December 27, 2007 totaling \$5,000,000, due in annual installments of principal on December 15 in varying amounts ranging from \$165,000 to \$360,000, with interest payable semiannually at 4.00% to 5.40% maturing on December 15, 2027.

The debt was issued for the purpose of paying the cost of improving and extending the sewerage system of the District.

NOTES TO FINANCIAL STATEMENTS (Continued)

4. LONG-TERM LIABILITIES (Continued)

c. General Obligation Alternate Bonds (Continued)

Series 2008

The District issued Series 2008, General Obligation Alternate Bonds totaling \$10,000,000 on December 30, 2008, due in annual installments of principal on December 15, with interest ranging from 4.25% to 5.00% maturing at various amounts through December 15, 2028.

The debt was issued for the purpose of paying the cost of improving and extending the sewerage system of the District and a new administration building.

Series 2009

The District issued Series 2009, General Obligation Alternate Bonds totaling \$6,000,000 on December 1, 2009, with interest ranging from 3% to 5% maturing at various amounts through December 15, 2028.

The debt was issued for the purpose of paying the cost of improving and extending the sewerage system of the District.

Series 2010B

The District issued Series 2010B, General Obligation Alternate Bonds totaling \$8,245,000 on July 20, 2010, with interest ranging from 2.25% to 6.25% maturing at various amounts through December 15, 2029.

The debt was issued for the purpose of paying the cost of improving and extending the sewerage system of the District.

Series 2013A

The District issued Series 2013A, General Obligation Alternate Bonds totaling \$9,700,000 on April 10, 2013, with interest ranging from 2% to 3% maturing at various amounts through December 15, 2022.

The debt was issued for the purpose of refinancing a portion of the outstanding obligations under certain loan agreements with the Environmental Protection Agency (EPA) entered into for the purpose of financing the costs of improvements to and extensions of the sewerage system.

NOTES TO FINANCIAL STATEMENTS (Continued)

4. LONG-TERM LIABILITIES (Continued)

c. General Obligation Alternate Bonds (Continued)

Series 2013B

The District issued Series 2013B, General Obligation Alternate Bonds totaling \$7,845,000 on April 10, 2013, with interest ranging from 0.40% to 1.05% maturing at various amounts through December 15, 2016.

The debt was issued for the purpose of refinancing a portion of the outstanding obligations under certain loan agreements with the EPA entered into for the purpose of financing the costs of improvements to and extensions of the sewerage system.

<u>Series 2014</u>

The District issued Series 2014, General Obligation Alternate Bonds totaling \$9,350,000 on April 14, 2014, with interest ranging from 2% to 5% maturing at various amounts through December 15, 2033.

The debt was issued for the purpose of paying the costs of improving and extending the sewerage system of the District.

The General Obligation Alternate Bonds are to be paid from revenues of the System remaining after the payment of operation and maintenance costs of the System and any required monthly deposits and credits have been made as required by any ordinances adopted in the future authorizing the issuance of any future series of prior lien sewerage revenue bonds. These pledges will remain until all bonds are retired.

The amount of the pledges remaining as of April 30, 2016 is as follows:

	Pledged	Pledge	Commitment
Debt Issue	Revenue Source	Remaining	End Date
2007	Revenues of the System	\$ 4,544,038	12/15/2027
2008	Revenues of the System	10,216,925	12/15/2028
2009	Revenues of the System	5,859,638	12/15/2028
2010B	Revenues of the System	10,319,285	12/15/2029
2013A	Revenues of the System	10,557,300	12/15/2022
2013B	Revenues of the System	773,033	12/15/2016
2014	Revenues of the System	12,651,500	12/15/2033

NOTES TO FINANCIAL STATEMENTS (Continued)

4. LONG-TERM LIABILITIES (Continued)

c. General Obligation Alternate Bonds (Continued)

Series 2014 (Continued)

A comparison of the pledged revenues collected and the related principal and interest expenditure for fiscal year 2016 is as follows:

		Pledged			
	Pledged	Revenue	Pri	ncipal and	Commitment
Debt Issue	Revenue Source	Collected	Interest Paid		End Date
2007	Revenues of the System	\$ 15,278,678	\$	384,873	12/15/2027
2008	Revenues of the System	15,278,678		795,313	12/15/2028
2009	Revenues of the System	15,278,678		450,350	12/15/2028
2010B	Revenues of the System	15,278,678		785,470	12/15/2029
2013A	Revenues of the System	15,278,678		220,525	12/15/2022
2013B	Revenues of the System	15,278,678		2,371,793	12/15/2016
2014	Revenues of the System	15,278,678		702,350	12/15/2033

During the year ended April 30, 2013, the District authorized the issuance of \$49,500,000 in General Obligation Alternate Bonds as Sewerage System Alternate Revenue Source. During the years ended April 30, 2013 and 2014, \$17,545,000 and \$9,350,000 of these bonds were issued, respectively. The remaining \$22,605,000 of the bonds authorized had not been issued as of April 30, 2016.

5. DEFINED BENEFIT PENSION PLAN

The District's defined benefit pension plan (the Plan), Illinois Municipal Retirement Fund (IMRF), provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF is an agent multiple-employer pension plan that acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the Plan that can only be amended by the Illinois General Assembly. IMRF issues a publicly available financial report that includes financial statements and supplementary information for the Plan as a whole but not by individual employer. That report may be obtained at www.imrf.org. The net pension liability for the governmental activities has been liquidated by the General Fund.

NOTES TO FINANCIAL STATEMENTS (Continued)

5. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund

Plan Administration

All employees hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members.

The Plan is accounted for on the economic resources measurement focus and the accrual basis of accounting. Employer and employee contributions are recognized when earned in the year that the contributions are required, benefits and refunds are recognized as an expense and liability when due and payable.

Plan Membership

At December 31, 2015, IMRF membership consisted of:

Inactive employees or their beneficiaries	
currently receiving benefits	111
Inactive employees entitled to but not yet receiving benefits	32
Active employees	107
TOTAL	250

Benefits Provided

IMRF provides two tiers of pension benefits. Employees hired prior to January 1, 2011 are eligible for Tier 1 benefits. For Tier 1 employees, pension benefits vest after eight years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

Employees hired on or after January 1, 2011 are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating members who retire at age 62 (reduced benefits) or after age 67 (full benefits) with ten years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute.

NOTES TO FINANCIAL STATEMENTS (Continued)

5. DEFINED BENEFIT PENSION PLAN (Continued)

<u>Illinois Municipal Retirement Fund</u> (Continued)

Contributions

Participating members are required to contribute 4.5% of their annual salary to IMRF. The District is required to contribute the remaining amounts necessary to fund IMRF as specified by statute. The employer contribution rate for the calendar year ended 2015 was 11.44% of covered payroll.

Net Pension Liability

The District's net pension liability was measured as of December 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of the same date using the following actuarial methods and assumptions.

Actuarial valuation date	December 31, 2015
Actuarial cost method	Entry-age normal
Assumptions Inflation	2.75%
Salary increases	3.75% to 14.50%
Interest rate	7.50%
Cost of living adjustment	3.00%
Asset valuation method	Market Value

For nondisabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for nondisabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

NOTES TO FINANCIAL STATEMENTS (Continued)

5. **DEFINED BENEFIT PENSION PLAN (Continued)**

Illinois Municipal Retirement Fund (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.49%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the District contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the IMRF's fiduciary net position was projected to not be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments of 7.50% was blended with the index rate of 3.57% for tax exempt general obligation municipal bonds rated AA or better at December 31, 2015 to arrive at a discount rate of 7.49% used to determine the total pension liability.

Changes in the Net Pension Liability

	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	N	(a) - (b) Net Pension (Asset) Liability
BALANCES AT JANUARY 1, 2015	\$ 55,911,276	\$ 54,655,407	\$	1,255,869
Changes for the period				
Service cost	816,520	-		816,520
Interest	4,120,053	-		4,120,053
Difference between expected				
and actual experience	292,148	-		292,148
Changes in assumptions	65,513	-		65,513
Employer contributions	_	873,398		(873,398)
Employee contributions	_	346,821		(346,821)
Net investment income	-	269,400		(269,400)
Benefit payments and refunds	(2,771,003)	(2,771,003)		-
Administrative expense	-	-		_
Other (net transfer)	-	271,228		(271,228)
Net changes	2,523,231	(1,010,156)		3,533,387
BALANCES AT DECEMBER 31, 2015	\$ 58,434,507	\$ 53,645,251	\$	4,789,256

NOTES TO FINANCIAL STATEMENTS (Continued)

5. DEFINED BENEFIT PENSION PLAN (Continued)

<u>Illinois Municipal Retirement Fund</u> (Continued)

Changes in the Net Pension Liability (Continued)

Changes in assumptions related to retirement age and mortality were made since the prior measurement date.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended April 30, 2016, the District recognized pension expense of \$1,104,831. At April 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to IMRF from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflow of Resources
Difference between expected and actual experience Changes in assumption Net difference between projected and actual earnings on pension plan	\$ 224,378 50,316	\$ - -	\$ 224,378 50,316
investments Contributions after measurement date	3,025,418 306,239	-	3,025,418 306,239
TOTAL	\$ 3,606,351	\$ -	\$ 3,606,351

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

Year Ending April 30,	
2017	\$ 1,145,560
2018	839,321
2019	839,321
2020	782,149
TOTAL	\$ 3,606,351

NOTES TO FINANCIAL STATEMENTS (Continued)

5. DEFINED BENEFIT PENSION PLAN (Continued)

<u>Illinois Municipal Retirement Fund</u> (Continued)

Discount Rate Sensitivity

The following is a sensitive analysis of the net pension liability (asset) to changes in the discount rate. The table below presents the net pension liability of the District calculated using the discount rate of 7.49% as well as what the District's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.49%) or 1 percentage point higher (8.49%) than the current rate:

	Current			
	1% Decrease	Discount Rate	1% Increase	
	(6.49%)	(7.49%)	(8.49%)	
Net pension liability (asset)	\$ 11,837,858	\$ 4,789,256	\$ (1,031,319)	

6. OTHER POSTEMPLOYMENT BENEFITS

a. Plan Description

In addition to providing the pension benefits described, the District provides other postemployment health care benefits (OPEB) for retired employees. The benefits, benefit levels, employee contributions, and employer contributions are governed by the District and can be amended by the District through its personnel manual, except for the implicit subsidy which is governed by the State Legislature and ILCS.

b. Benefits Provided

The District provides continued health insurance coverage at the active employer rate to all eligible employees in accordance with ILCS, which creates an implicit subsidy of retiree health insurance. To be eligible for benefits, an employee must qualify for retirement under the District's retirement plan. Upon a retiree reaching age 65 years of age, Medicare becomes the primary insurer and the retiree is no longer eligible to participate in the plan, but can purchase a Medicare supplement plan from the District's insurance provider.

The District will contribute the prevailing group premiums for health insurance if an employee retires between age 62 and 65 with at least 12 years of service at the District.

NOTES TO FINANCIAL STATEMENTS (Continued)

6. OTHER POSTEMPLOYMENT BENEFITS (Continued)

c. Membership

At April 30, 2015 (most recent valuation), membership consisted of:

Retirees and beneficiaries currently receiving benefits	25
Active vested and nonvested plan members	109
TOTAL	134
Participating employers	1

d. Funding Status

For the fiscal year ended April 30, 2016, the District contributed \$145,854. The District is not required to and currently does not advance fund the cost of benefits that will become due and payable in the future. Active employees do not contribute to the plan until retirement.

e. Annual OPEB Costs and Net OPEB Obligation

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016, 2015, and 2014 was as follows:

For Fiscal Year	Annual OPEB Cost	Actual Contribution		Percentage of APC Contributed	C	Net OPEB Obligation
2016 2015 2014	\$ 159,294 107,564 106,834	\$	145,854 62,991 62,991	91.56% 58.56% 58.96%	\$	261,862 248,422 203,849

The net OPEB obligation as of April 30, 2016, was calculated as follows:

Annual required contribution Interest on net OPEB obligation Adjustment to annual required contribution	\$ 157,638 9,937 (8,281)
Annual OPEB cost Contributions made	 159,294 145,854
Increase in net OPEB obligation Net OPEB obligation, beginning of year	 13,440 248,422
NET OPEB OBLIGATION, END OF YEAR	\$ 261,862

NOTES TO FINANCIAL STATEMENTS (Continued)

6. OTHER POSTEMPLOYMENT BENEFITS (Continued)

e. Annual OPEB Costs and Net OPEB Obligation (Continued)

The funded status and funding progress of the plan as of April 30, 2015 (most recent valuation) was as follows:

Actuarial accrued liability (AAL)	\$ 2,000,471
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	2,000,471
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 7,883,868
UAAL as a percentage of covered payroll	25.37%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets in increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

NOTES TO FINANCIAL STATEMENTS (Continued)

6. OTHER POSTEMPLOYMENT BENEFITS (Continued)

e. Annual OPEB Costs and Net OPEB Obligation (Continued)

In the April 30, 2015 actuarial valuation, the entry-age actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses) and an initial healthcare cost trend rate of 7.0% reducing to an ultimate rate of 4.0%. Both rates include a 2.5% inflation assumption. The actuarial value of assets was not determined as the District has not advance funded its obligation. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at April 30, 2015 was 30 years.

7. COMMITMENTS AND CONTINGENCIES

a. Commitments

The District has entered into certain agreements in connection with the construction of sewer and other various projects. Outstanding commitments at April 30, 2016 totaled approximately \$6,398,730.

b. Pending Litigation and Subsequent Events

There are various other lawsuits pending or threatened against the District. The outcome and eventual liability of the District, if any, in these cases is not known at this time.

8. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts and health claims; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is covered by commercial insurance for all programs, except workers' compensation. The coverage is as follows:

Workers' Compensation

The District is self-insured for workers' compensation. In order to limit its exposure to losses, the District has purchased specific excess insurance limiting the maximum loss from any one occurrence to \$500,000 with a statutory limit. The District also has purchased aggregate excess insurance that provides for losses in excess of an estimated \$1,307,490 with a limit of \$1,000,000. No claims have reached this limit.

NOTES TO FINANCIAL STATEMENTS (Continued)

8. RISK MANAGEMENT (Continued)

A reconciliation of the claims liability for workers' compensation is as follows:

	 2016	2015
UNPAID CLAIMS, MAY 1 Incurred claims (including IBNR's) Claim payments	\$ 852,583 331,184 (353,894)	\$ 769,462 338,361 (255,240)
UNPAID CLAIMS, APRIL 30	\$ 829,873	\$ 852,583

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the two prior years.

9. PRIOR PERIOD ADJUSTMENTS

The District recorded the following prior period adjustments during the year ended April 30, 2016:

	 Increase (Decrease)
PRIOR PERIOD ADJUSTMENTS	
Change in accounting principle To record the IMRF net pension liability To record the IMRF deferred outflows of resources	\$ (1,255,869) 304,397
TOTAL PRIOR PERIOD ADJUSTMENTS	\$ (951,472)

With the implementation of GASB Statement No. 68 and 71, the District is required to retroactively record the net pension liability and deferred outflows of resources.



SCHEDULE OF FUNDING PROGRESS OTHER POSTEMPLOYMENT BENEFIT PLAN

April 30, 2016

Actuarial Valuation Date April 30,	Actuarial Value of Assets (a)	Actuarial Accrued (AAL) Entry-Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Covered Payroll ((b-a)/c)
2016	N/A	N/A	N/A	N/A	N/A	N/A
2015	\$ -	\$ 2,000,471	\$ 2,000,471	0.00%	\$ 7,883,868	25.37%
2014	N/A	N/A	N/A	N/A	N/A	N/A
2013	N/A	N/A	N/A	N/A	N/A	N/A
2012	-	1,258,599	1,258,599	0.00%	7,652,134	16.45%
2011	N/A	N/A	N/A	N/A	N/A	N/A

N/A - The District did not have an actuarial valuation as of April 30, 2016, 2014, 2013, and 2011.

SCHEDULE OF EMPLOYER CONTRIBUTIONS ILLINOIS MUNICIPAL RETIREMENT FUND

April 30, 2016

	 2016
Actuarially determined contribution	\$ 873,398
Contributions in relation to the actuarially determined cont	873,398
CONTRIBUTION DEFICIENCY (Excess)	\$ -
Covered-employee payroll	\$ 7,634,596
Contributions as a percentage of covered-employee payroll	11.44%

Notes to Required Supplementary Information

The information presented was determined as part of the actuarial valuations as of December 31, 2013 (for 2015 contributions) and December 31, 2014 (for 2016 contributions). Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was entry-age normal; the amortization method was level percent of pay, closed, and the amortization period was 28 years; the asset valuation method was five-year smoothed market; and the significant actuarial assumptions were an investment rate of return at 7.50% annually, projected salary increases assumption of 4.40% to 16.00% compounded annually, and postretirement benefit increases of 3.00% compounded annually.

SCHEDULE OF EMPLOYER CONTRIBUTIONS OTHER POSTEMPLOYMENT BENEFIT PLAN

April 30, 2016

Fiscal Year	mployer ntributions			
2016	\$ 145,854	\$	157,638	92.52%
2015	62,991		104,167	60.47%
2014	62,991		104,167	60.47%
2013	62,991		104,167	60.47%
2012	62,991		91,083	69.16%
2011	62,991		91,969	68.49%

SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS ILLINOIS MUNICIPAL RETIREMENT FUND

April 30, 2016

		2015*
TOTAL PENSION LIABILITY		
Service cost	\$	816,520
Interest	_	4,120,053
Changes of benefit terms		-
Differences between expected and actual experience		292,148
Changes of assumptions		65,513
Benefit payments, including refunds of member contributions		(2,771,003)
Net change in total pension liability		2,523,231
Total pension liability - beginning		55,911,276
TOTAL PENSION LIABILITY - ENDING	\$	58,434,507
PLAN FIDUCIARY NET POSITION		
Contributions - employer	\$	873,398
Contributions - member	Ψ	346,821
Net investment income		269,400
Benefit payments, including refunds of member contributions		(2,771,003)
Other (net transfer)		271,228
Net change in plan fiduciary net position		(1,010,156)
Plan fiduciary net position - beginning		54,655,407
PLAN FIDUCIARY NET POSITION - ENDING	\$	53,645,251
EMPLOYER'S NET PENSION LIABILITY	\$	4,789,256
Plan fiduciary net position		
as a percentage of the total pension liability		91.80%
Covered-employee payroll	\$	7,634,596
Employer's net pension liability		
as a percentage of covered-employee payroll		62.73%

*IMRF's measurement date is December 31, 2015; therefore information above is presented for the calendar year ended December 31, 2015.



COMBINING BALANCE SHEET

April 30, 2016

		General Operations	Public Benefit	A	Special assessments	Elimination	ns		Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES									
CURRENT ASSETS									
Cash and cash equivalents	\$	11,976,597	\$ 1,484,062	\$	1,681,055	\$ -		\$	15,141,714
Investments		4,064,197	995,502		1,127,643	-			6,187,342
Restricted assets									
Investments		3,969,895	-		-	-			3,969,895
Receivables									
Billed user charges (net of allowance for									
uncollectible amounts of \$175,000)		2,728,830	-		-	-			2,728,830
Property taxes		3,892,109	1,048,591		-	-			4,940,700
Other		77,641	-		858,678	-			936,319
Due from special assessments		469,776	-		-	(469,7	76)		-
Estimated unbilled user charges		6,396,390	-		-	-			6,396,390
Accrued interest income		31,389	-		-	-			31,389
Prepaid expenses		338,855	-		-	-			338,855
Total current assets		33,945,679	3,528,155		3,667,376	(469,7	76)		40,671,434
Long-term receivables		14,924	-		-	-			14,924
Capital assets not being depreciated		34,103,982	-		2,318,527	-			36,422,509
Capital assets being depreciated, net		300,333,131	-		-	-			300,333,131
Total assets	_	368,397,716	3,528,155		5,985,903	(469,7	76)		377,441,998
DEFERRED OUTFLOWS OF RESOURCES									
Pension items - IMRF		3,606,351	-		-	-			3,606,351
Total deferred outflows of resources	_	3,606,351	-		-	-			3,606,351
TOTAL ASSETS	\$	372,004,067	\$ 3,528,155	\$	5,985,903	\$ (469,7	76)	\$:	381,048,349

COMBINING BALANCE SHEET (Continued)

April 30, 2016

	General Operations	Public Benefit	A	Special ssessments	Eli	iminations	Total
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION							
CURRENT LIABILITIES							
Current portion of long-term debt	\$ 5,712,274	\$ -	\$	-	\$	-	\$ 5,712,274
Accounts payable	4,005,489	-		104,537		-	4,110,026
Accrued expenses							
Salaries and wages	156,837	-		-		-	156,837
Pension contribution	122,594	-		-		-	122,594
Accrued interest	691,017	-		-		-	691,017
Other	90,582	-		-		-	90,582
Due to other governments	208,900	-		-		-	208,900
Due to general operations		-		469,776		(469,776)	
Total current liabilities	10,987,693	-		574,313		(469,776)	11,092,230
LONG-TERM LIABILITIES							
Claims payable	829,873	-		-		-	829,873
Long-term debt, net of current maturities	64,262,396	-		-		-	64,262,396
Net pension liability	4,789,256	-		-		-	4,789,256
Total long-term liabilities	69,881,525	-		-		-	69,881,525
Total liabilities	80,869,218	-		574,313		(469,776)	80,973,755
DEFERRED INFLOWS OF RESOURCES							
Deferred revenue - property taxes	\$ 3,892,109	\$ 1,048,591	\$	-	\$	-	\$ 4,940,700
Total deferred inflows of resources	3,892,109	1,048,591		-		-	4,940,700
NET POSITION							
Net investment in capital assets	264,232,539	-		2,318,527		-	266,551,066
Restricted assets	3,969,895	2,479,564		3,093,063		-	9,542,522
Unrestricted	19,040,306	<u> </u>		-		_	19,040,306
Total net position	287,242,740	2,479,564		5,411,590		-	295,133,894
TOTAL LIABILITIES, DEFERRED INFLOWS							
OF RESOURCES, AND NET POSITION	\$ 372,004,067	\$ 3,528,155	\$	5,985,903	\$	(469,776)	\$ 381,048,349

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	General Operations	Public Benefit	Special Assessments	Eliminations	Total
OPERATING REVENUES					
User charges					
Operation and maintenance Inspection fees and other user charges	\$ 30,597,615 \$ 233,911	-	\$ - -	\$ - -	\$ 30,597,615 233,911
Total user charges	30,831,526	-	-	-	30,831,526
Collection charges and penalties Other	459,657 816,152	-	-	-	459,657 816,152
Total operating revenues	32,107,335				32,107,335
OPERATING EXPENSES					
Operations	14,609,380	-	-	-	14,609,380
Administration	4,469,078	-	13,101	-	4,482,179
Depreciation	12,898,464	-	-	-	12,898,464
Total operating expenses	31,976,922		13,101		31,990,023
OPERATING INCOME (LOSS)	130,413		(13,101)		117,312
NON-OPERATING REVENUES (EXPENSES)					
Property taxes	3,759,521	1,045,773	-	-	4,805,294
Assessments	6,613	-	-	-	6,613
Contributions from property owners and other					
governments	474,405	-	-	-	474,405
Illinois personal property replacement taxes	1,518,683	=	=	-	1,518,683
Investment income	75,421	8,045	59,154	-	142,620
Gain on sale of asset	63,844	-	- (027)	-	63,844
Interest expense	(1,873,797)	-	(837)	-	(1,874,634)
Total non-operating revenues (expenses)	4,024,690	1,053,818	58,317	-	5,136,825
INCOME BEFORE CAPITAL					
CONTRIBUTIONS AND TRANSFERS	4,155,103	1,053,818	45,216	-	5,254,137
Capital contributions	948,326	-	-	-	948,326
Transfers in Transfers (out)	- -	187,110 (2,998,639)	2,998,639 (187,110)	(3,185,749) 3,185,749	<u>-</u>
CHANGE IN NET POSITION	5,103,429	(1,757,711)	2,856,745	-	6,202,463
NET POSITION, MAY 1	283,090,783	4,237,275	2,554,845	-	289,882,903
Prior period adjustment	(951,472)	-	-	-	(951,472)
NET POSITION, MAY 1, RESTATED	282,139,311	4,237,275	2,554,845	-	288,931,431
NET POSITION, APRIL 30	\$ 287,242,740 \$	2,479,564	\$ 5,411,590	\$ -	\$ 295,133,894

SCHEDULE OF CAPITAL ASSETS

For the Year Ended April 30, 2016

			Capital Assets	Accumulated Depreciation					
				Current					
	April 30, 2015	Additions	Retirements	Transfers	April 30, 2016	April 30, 2015	Year Depreciation	Retirements	April 30, 2016
TREATMENT PLANT									
Land	\$ 5.611.326	\$ 80,771	\$ -	\$ -	\$ 5.692.097	\$ -	\$ -	\$ -	\$ -
Buildings	18,608,135		_	_	18,608,135	5,528,270	585,341	-	6,113,611
Improvements	6,401,592	238,004	_	453,000	7,092,596	1.976.011	389.876	_	2,365,887
Aeration	25,977,511		_	77,958	26,055,469	18,291,334	664,387	_	18,955,721
Vacuum filter and incineration	16,198,042	_	_	-	16,198,042	11,188,982	263,635	_	11,452,617
Pumping equipment	6,926,815	_	_	347,403	7,274,218	4,162,689	274,635	_	4,437,324
Grit and sludge equipment	2,272,700	_	_	_	2,272,700	1,457,989	48,588	_	1,506,577
Primary settling equipment	4,025,730	_	_	_	4,025,730	3,100,862	109,570	_	3,210,432
Chlorination equipment	870,249	_	_	_	870,249	730,235	14,951	_	745,186
Biosolids	26,322,105	_	_	27,090	26,349,195	5,807,903	585,434	_	6,393,337
Miscellaneous equipment	642,630	_	_		642,630	640,709	320	_	641,029
Cogeneration	4,639,260	114,318	_	_	4,753,578	2,557,137	309,279	_	2,866,416
Engineering and other studies	1,606,790	-	-	-	1,606,790	987,151	116,142	-	1,103,293
Total treatment plant	120,102,885	433,093	-	905,451	121,441,429	56,429,272	3,362,158	-	59,791,430
SEWER AND LIFT STATIONS	366,263,315	1,079,747	-	4,018,525	371,361,587	123,182,262	8,271,186	-	131,453,448
MACHINERY AND EQUIPMENT									
Trucks and automobiles	9,229,773	889,786	371,842	_	9,747,717	6,617,393	883,957	371,842	7,129,508
Engineering equipment	179,084	_	_	_	179,084	179,084	_	-	179,084
Chemistry equipment	522,346	-	_	147,578	669,924	464,125	21,833	-	485,958
Supporting services equipment	645,577	7,285	_	-	652,862	528,977	65,782	-	594,759
Sewer maintenance equipment	3,034	-	_	-	3,034	3,035	-	-	3,035
Maintenance equipment	386,638	_	-	-	386,638	345,095	11,195	-	356,290
Office equipment	12,813	-	_	-	12,813	5,607	2,403	-	8,010
Computer hardware and software	6,119,298	326,912	-	178,045	6,624,255	4,772,643	279,950	-	5,052,593
Total machinery and equipment	17,098,563	1,223,983	371,842	325,623	18,276,327	12,915,959	1,265,120	371,842	13,809,237
CONSTRUCTION IN PROGRESS									
Special assessments	156,862	2,161,666	_	_	2,318,528	_	_	_	_
General operations	18,080,008	15,581,475	-	(5,249,599)	28,411,884		-	-	
Total construction in progress	18,236,870	17,743,141	-	(5,249,599)	30,730,412		-	-	
TOTAL CAPITAL ASSETS	\$ 521,701,633	\$ 20,479,964	\$ 371,842	\$ -	\$ 541,809,755	\$ 192,527,493	\$ 12,898,464	\$ 371,842	\$ 205,054,115

(See independent auditor's report.) - 40 -

SCHEDULE OF DEPARTMENTAL EXPENSES PROPRIETARY FUND

	Budget	Actual	Over (Under)
ADMINISTRATION			
General			
Personnel	\$ 676,350	\$ 716,168	\$ 39,818
Operating cost	7,950	14,546	6,596
Contractual	691,418	620,810	(70,608)
Total general	1,375,718	1,351,524	(24,194)
Billing and collection			
Personnel	797,156	776,994	(20,162)
Operating cost	43,300	75,440	32,140
Contractual	597,290	310,622	(286,668)
Total billing and collection	1,437,746	1,163,056	(274,690)
Information processing			
Personnel	1,016,494	998,222	(18,272)
Operating cost	203,400	213,620	10,220
Contractual	972,139	934,320	(37,819)
Repair and maintenance	5,000	6,092	1,092
Transfers	(150,411)	(197,756)	(47,345)
Total information processing	2,046,622	1,954,498	(92,124)
Total administration	4,860,086	4,469,078	(391,008)
ENGINEERING			
Personnel	2,459,240	2,259,318	(199,922)
Operating cost	17,650	3,617	(14,033)
Contractual	56,295	33,832	(22,463)
Repairs and maintenance	2,600	267	(2,333)
Transfers	(515,383)	(790,733)	(275,350)
Total engineering	2,020,402	1,506,301	(514,101)
PLANT OPERATIONS CONTROL			
General			
Personnel	175,751	193,592	17,841
Operating cost	37,024	44,903	7,879
Contractual	4,680	3,620	(1,060)
Total general	217,455	242,115	24,660

SCHEDULE OF DEPARTMENTAL EXPENSES (Continued) PROPRIETARY FUND

	Budget	Actual	Over (Under)
PLANT OPERATIONS CONTROL (Continued)			
Chemistry			
Personnel	\$ 468,988	\$ 447,484	\$ (21,504)
Operating cost	120,296	129,294	8,998
Contractual	92,444	129,289	36,845
Repair and maintenance	17,992	14,213	(3,779)
Total chemistry	699,720	720,280	20,560
Water surveillance			
Personnel	584,080	597,077	12,997
Operating cost	11,500	8,373	(3,127)
Contractual	5,425	11,520	6,095
Repair and maintenance	4,000	74	(3,926)
Total water surveillance	605,005	617,044	12,039
Total plant operations control	1,522,180	1,579,439	57,259
SUPPORTING SERVICES			
General			
Personnel	803,819	809,274	5,455
Operating cost	1,500	-	(1,500)
Contractual	2,800	2,661	(139)
Total general	808,119	811,935	3,816
Building and grounds			
Personnel	143,231	116,094	(27,137)
Operating cost	111,000	86,374	(24,626)
Contractual	343,500	329,078	(14,422)
Repair and maintenance	125,000	125,423	423
Total building and grounds	722,731	656,969	(65,762)
Sewer and lift stations			
Personnel	2,620,421	2,400,725	(219,696)
Operating cost	260,000	251,831	(8,169)
Contractual	91,500	73,272	(18,228)
Repair and maintenance	935,000	1,018,601	83,601
Total sewer and lift stations	3,906,921	3,744,429	(162,492)

SCHEDULE OF DEPARTMENTAL EXPENSES (Continued) PROPRIETARY FUND

	Budget	Actual	Over (Under)
SUPPORTING SERVICES (Continued)			
Trucks and automobiles			
Personnel	\$ 517,894	\$ 347,174	\$ (170,720)
Operating cost	540,700	333,381	(207,319)
Contractual	60,200	40,747	(19,453)
Repair and maintenance	285,000	448,634	163,634
Total trucks and automobiles	1,403,794	1,169,936	(233,858)
Total supporting services	6,841,565	6,383,269	(458,296)
WASTEWATER TREATMENT			
General			
Personnel	1,624,775	1,466,226	(158,549)
Operating cost	13,500	3,116	(10,384)
Contractual	4,900	1,492	(3,408)
Real estate taxes	24,100	24,631	531
Repair and maintenance	-	1,644	1,644
Transfers	(7,248)	(95,660)	(88,412)
Total general	1,660,027	1,401,449	(258,578)
Pumping station			
Operating cost	183,200	174,152	(9,048)
Contractual	435,020	417,312	(17,708)
Repair and maintenance	31,000	31,129	129
Total pumping station	649,220	622,593	(26,627)
Grit and sludge removal			
Operating cost	900	1,040	140
Contractual	100,800	103,008	2,208
Repair and maintenance	16,200	8,000	(8,200)
Total grit and sludge removal	117,900	112,048	(5,852)
Vacuum filter and solids disposal			
Operating cost	343,000	354,981	11,981
Contractual	562,900	469,031	(93,869)
Repair and maintenance	76,800	159,392	82,592
Agricultural land	26,180	21,403	(4,777)
Total vacuum filter and solids disposal	1,008,880	1,004,807	(4,073)

SCHEDULE OF DEPARTMENTAL EXPENSES (Continued) PROPRIETARY FUND

	Budget	Actual	Over (Under)
WASTEWATER TREATMENT (Continued)			
Aeration			
Operating cost	\$ 2,000	\$ 15,823	\$ 13,823
Contractual	378,100	326,605	(51,495)
Repair and maintenance	39,700	123,356	83,656
Total aeration	419,800	465,784	45,984
Maintenance			
Personnel	947,778	1,000,550	52,772
Operating cost	141,000	118,064	(22,936)
Contractual	67,740	85,611	17,871
Repair and maintenance	300,000	359,030	59,030
Total maintenance	1,456,518	1,563,255	106,737
Total wastewater treatment	5,312,345	5,169,936	(142,409)
TOTAL DEPARTMENT EXPENSES	\$ 20,556,578	\$ 19,108,023	\$ (1,448,555)
SUMMARY			
Personnel	\$ 12,162,935	\$ 11,140,409	\$ (1,022,526)
Operating cost	2,037,920	1,732,895	(305,025)
Contractual	4,467,151	3,892,830	(574,321)
Repair and maintenance	1,838,292	2,295,855	457,563
Agricultural land	26,180	21,403	(4,777)
Real estate taxes	24,100	24,631	531
Allocated departmental	20,556,578	19,108,023	(1,448,555)
Vacation and sick pay adjustments			
not allocated to departments	_	(43,005)	(43,005)
OPEB expense	_	13,440	13,440
TOTAL DEPARTMENTAL EXPENSES	\$ 20,556,578	\$ 19,078,458	\$ (1,478,120)
Operations		\$ 14,609,380	
Administration		4,469,078	
TOTAL DEPARTMENTAL EXPENSES		\$ 19,078,458	



HIGHLIGHTS OF THE PAST TEN YEARS

Last Ten Fiscal Years

Fiscal Year	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Residential user rate per hundred cubic feet	3.1557	2.7935	2.5926	2.4083	2.26	2.0766	1.9966	1.8234	1.6723	1.5335
Tax rates (previous assessment year)	0.2075	0.2008	0.1856	0.1665	0.1469	0.1362	0.1268	0.1243	0.1221	0.1237
Area added to the District (in acres)	170.68	226.01	45.67	521.37	-	274.91	370.08	584.84	1,104.56	1,712.04
Sanitary sewers built by the Districts and others (miles)	3.37	1.78	2.06	2.08	2.17	15.4	10.34	7.5	11.8	10.1
Operations, maintenance, and department expense	\$ 19,078,458	\$ 18,827,316	\$ 18,588,777	\$ 17,979,742	\$ 17,756,146	\$ 16,986,855	\$ 16,895,338	\$ 16,213,596	\$ 14,719,154	\$ 13,828,238
Total salaries and fringe benefits	11,110,844	10,807,528	10,801,680	10,501,714	10,211,559	10,182,326	9,773,680	9,022,915	8,604,234	8,091,500
Average full-time employees	110	110	110	110	110	111	111	110	110	102

ASSESSED VALUATIONS, RATES, EXTENSIONS, AND COLLECTIONS

Last Three Tax Years

Tax Year		2015		2014		2013
ASSESSED VALUATION	\$ 2	,377,757,219	\$ 2	,417,158,428	\$ 2	2,555,325,858
TAX RATES						
Public benefit		0.0441		0.0437		0.0413
Corporate		0.1289		0.1230		0.1120
Sewage chlorination		0.0345		0.0341		0.0323
TOTAL TAX RATES		0.2075		0.2008		0.1856
TAX EXTENSIONS						
Public benefit	\$	1,048,591	\$	1,056,298	\$	1,055,350
Corporate		3,064,929		2,973,105		2,861,965
Sewage chlorination		820,326		824,251		825,370
TOTAL TAX EXTENSIONS	\$	4,933,846	\$	4,853,654	\$	4,742,685
COLLECTIONS						
Public benefit			\$	1,045,773	\$	1,048,935
Corporate				2,943,480		2,844,562
Sewage chlorination				816,041		820,351
TOTAL COLLECTIONS			\$	4,805,294	\$	4,713,848
PERCENT COLLECTED TO DATE				99.00%		99.39%