FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT



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Certified Public Accountants & Advisors
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, 2017, 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. 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 basic 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, 2017, 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.

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.



Rockford, Illinois August 9, 2017

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, 2017. 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 \$ 302.7 million at April 30, 2017. Of this amount \$ 22.4 million is unrestricted, \$ 9.7 million is restricted and \$ 270.6 million of net investment in capital assets.
- Unrestricted net position was \$ 22.4 million or 70.0% of total operating expenses of \$ 32.0 million.
- User fee rates per hundred cubic feet increased from \$3.16 in fiscal year 2016 to \$3.39 in fiscal year 2017.

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 statement of net position, 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, supplemental schedules and certain other supplemental information.

The a statement of net position presents information on the assets, deferred outflows of resources, liabilities and deferred inflows of resources 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 capital 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 1,136 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, 2017 and 2016 (amounts in millions).

	FY	FY	Increase (Decrease)
	2017	2016	Amount	%
Current assets	\$ 43.8	\$ 40.7	\$ 3.1	7.6%
Capital assets, net	345.2	336.8	8.4	2.5%
Deferred outflows of resources	3.7	3.6	0.1	0.0%
Total assets	392.7	381.1	11.6	3.0%
Current liabilities	11.2	11.1	0.1	0.9%
Long-term debt, less current portion	73.7	69.9	3.8	5.4%
Deferred inflows of resources	5.1	5.0	0.1	0.0%
Total liabilities and deferred				
inflows of resources	90.0	86.0	4.0	4.7%
Net investment in capital assets	270.6	266.6	4.0	1.5%
Restricted net position	9.7	9.5	0.2	2.1%
Unrestricted net position	22.4	19.0	3.4	17.9%
Total net position	\$ 302.7	\$ 295.1	\$ 7.6	2.6%

By far the largest portion of the District's net position (89.4) 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, 2017 and 2016 (amounts in millions).

]	FY]	FY	Increase	(Decrease)
	2	017	2	016	Amount	%
Operating revenues:						
User charges	\$	32.0	\$	30.8	\$ 1.2	3.9%
Collection charges and penalties		0.4		0.5	-0.1	-20.0%
Operating contributions from property						
owners and other governments		1.1		-	1.1	0.0%
Other		1.0		0.8	0.2	25%
Total operating revenues		34.5		32.1	2.4	7.5%
Nonoperating revenues:						
Property taxes		4.9		4.8	0.1	2.1%
Replacement taxes		1.8		1.5	0.3	20.0%
Investment income		0.2		0.2	-	0.0%
Other nonoperating revenues		0.3		0.6	(0.3)	-50.0%
Total nonoperating revenues		7.2		7.1	0.1	1.4%
Total revenues		41.7		39.2	2.5	6.4%
Operating expenses:						
Operations		15.2		14.6	0.6	4.1%
Administration		4.8		4.5	0.3	6.7%
Depreciation		12.0		12.9	(0.9)	-7%
Total operating expenses		32.0		32.0	0.0	0.0%
Nonoperating expenses –						
Bond issuance costs		0.2		0	0.2	0.0%
Interest expense		2.0		1.9	0.1	5.3%
Total nonoperating expenses		2.2		1.9	0.3	5.3%
Total expenses		34.2		33.9	0.3	5.3%
Income before contributions		7.5		5.3	2.2	41.5%
Capital contributions		0.1		0.9	(0.8)	89%
Change in net assets		7.6		6.2	1.4	-23%
Net position, beginning, as previously reported		295.1		289.9	5.2	1.8%
Restatement				(1.0)	1.0	(2.0)
Net position, beginning, as restated		295.1		288.9	6.2	2.1%
Net position, ending	\$	302.7	\$	295.1	\$ 7.6	2.6%

Management Discussion and Analysis - Unaudited

While the Statement of Net Position shows the 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 2017	FY 2016	<u>Increase</u>
Land	\$ 5,710	5,692	18
Treatment plant	131,687	115,749	15,938
Sewers and lift stations	381,370	371,362	10,008
Machinery & equipment	19,851	18,276	1,575
Construction in progress	22,971	30,731	(7,760)
Sub-total	561,589	541,810	19,779
Accumulated depreciation	216,375	205,054	11,321
Net capital assets	\$ 345,214	336,756	8,458

During fiscal year 2017 many projects, including the Fuller Creek (sewer line to Village of Winnebago), Spring Creek Trunk Replacement, and Dewater Centrifuges were not completed and are reported as construction in progress. Various other projects were finished and contributed to the capital asset value increasing by \$19.8 million. More detailed information about the District's capital assets is presented in the notes to the financial statements.

Long-term debt

At fiscal year-end the District had \$ 78.5 million in long-term debt, including the current portion. The District made principal payments of \$14.4 million and borrowed \$ 16.9 million in fiscal year 2017. Total debt increased by 3.9% compared to fiscal year 2016. 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

				Percent
Selected Data:	2017	2016	Difference	Change
Residential User Rate (per hundred cubic feet)	\$3.39	\$3.16	\$0.23	6.78%
Tax Rates (previous assessment year)	\$0.2082	\$0.2075	\$0.0007	0.34%
Area added to District in acres	182.3	170.68	11.62	6.37%
Sanity sewers built by the District and others (miles)	2.99	3.37	(0.38)	- 12.71%
Full-time employees	110	110	0	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. Chris Black, Business Manager, Rock River Water Reclamation District, 3501 Kishwaukee Street, P.O. 7480, Rockford, Illinois 61126-7480.



BALANCE SHEET

April 30, 2017

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS	
Cash and cash equivalents	\$ 17,652,926
Investments	6,210,600
Restricted assets	
Cash and cash equivalents	2,374
Investments	3,992,726
Receivables	
Billed user charges, net of allowance	
for uncollectible amounts of \$185,000	3,229,286
Property taxes	5,014,222
Other	828,152
Estimated unbilled user charges	6,416,490
Accrued interest income	39,402
Prepaid expenses	404,421
Total current assets	43,790,599
Capital assets not being depreciated	28,680,723
Capital assets being depreciated, net	316,532,964
Total capital assets	345,213,687
Total assets	290 004 296
Total assets	389,004,286
DEFERRED OUTFLOWS OF RESOURCES	
Pension items - IMRF	3,564,996
Unamortized loss on refunding	148,223
Olamorazoa 1055 on Torananig	110,225
Total deferred outflows of resources	3,713,219
TOTAL ASSETS AND DEFERRED	
OUTFLOWS OF RESOURCES	\$ 392,717,505

BALANCE SHEET (Continued)

April 30, 2017

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

CURRENT LIABILITIES	
Current portion of long-term debt	\$ 4,859,293
Accounts payable	5,354,430
Accrued expenses	
Salaries and wages	173,278
Pension contribution	30,806
Accrued interest	515,163
Other	76,263
Due to other governments	 208,900
Total current liabilities	 11,218,133
LONG-TERM LIABILITIES	
Claims payable	500,000
Long-term debt, net of current maturities	67,854,410
Net pension liability	5,328,728
Total long-term liabilities	 73,683,138
Total liabilities	84,901,271
Total natifices	 01,701,271
DEFERRED INFLOWS OF RESOURCES	
Deferred revenue - property taxes	5,014,222
Pension items - IMRF	 51,720
Total deferred inflows of resources	 5,065,942
NET POSITION	
Net investment in capital assets	270,659,404
Restricted for	, ,
Pubic benefit	3,187,776
Special assessments	2,519,491
Debt service	3,995,100
Unrestricted	22,388,521
	202 752 202
Total net position	 302,750,292
TOTAL LIABILITIES, DEFERRED INFLOWS	
OF RESOURCES, AND NET POSITION	\$ 392,717,505

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

OPERATING REVENUES	
User charges	
Operation and maintenance	\$ 31,771,981
Inspection fees and other user charges	204,845
Total user charges	31,976,826
Collection charges and penalties	427,272
Operating contributions from property owners and other governments	1,121,897
Other	934,071
Total operating revenues	34,460,066
OPERATING EXPENSES	
Operations	15,156,571
Administration	4,776,160
Depreciation	11,966,603
Total operating expenses	31,899,334
OPERATING INCOME	2,560,732
NON-OPERATING REVENUES (EXPENSES)	
Property taxes	4,899,572
Assessments	6,387
Illinois personal property replacement taxes	1,814,742
Grant revenue	232,525
Investment income	178,459
Gain on sale of asset	73,079
Bond issuance costs	(175,461)
Interest expense	(2,045,837)
Total non-operating revenues (expenses)	4,983,466
INCOME BEFORE CAPITAL CONTRIBUTIONS	7,544,198
Capital contributions	72,200
CHANGE IN NET POSITION	7,616,398
NET POSITION, MAY 1	295,133,894
NET POSITION, APRIL 30	\$ 302,750,292

STATEMENT OF CASH FLOWS

CASH ELONG EDOM ODED ATING A CENTIFIES	
CASH FLOWS FROM OPERATING ACTIVITIES Received from customers	\$ 34,062,601
Paid to suppliers for goods and services	(8,893,486)
Paid to employees for services - including benefits	(11,366,298)
	(,,)
Net cash from operating activities	13,802,817
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Tax proceeds received	6,720,701
Grant revenue	232,525
Net cash from noncapital financing activities	6,953,226
CASH FLOWS FROM CAPITAL AND RELATED	
FINANCING ACTIVITIES	
Proceeds on disposal of capital assets	104,957
Acquisition and construction of capital assets	(18,165,453)
Interest paid and fiscal charges	(2,112,010)
Proceeds from issuance of bonds and drawdowns on IEPA loans	16,179,588
Principal payments on Illinois EPA loans and bonds	(4,465,175)
Payment to escrow agent	(9,757,056)
Payments on capital lease obligation	(151,665)
Net cash from capital and related	
financing activities	(18,366,814)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	170,446
Purchase of investments	(7,505,895)
Proceeds from sale of investments	7,459,806
Net cash from investing activities	124,357
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,513,586
CASH AND CASH EQUIVALENTS, MAY 1	15,141,714
CASH AND CASH EQUIVALENTS, APRIL 30	\$ 17,655,300
Cash and cash equivalents	\$ 17,652,926
Restricted cash and cash equivalents	2,374
TOTAL CASH AND CASH EQUIVALENTS	\$ 17,655,300

STATEMENT OF CASH FLOWS (Continued)

RECONCILIATION OF OPERATING INCOME	
TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	\$ 2,560,732
Adjustments to reconcile operating income	
to net cash from operating activities	
Depreciation	11,966,603
Increase (decrease) in cash due to changes in	
assets and liabilities	
Receivables	
User charges	(520,556)
Other receivables	108,167
Long-term receivables	14,924
Prepaid expenses	(65,566)
Deferred outflows - pension items - IMRF	41,355
Deferred inflows - pension items - IMRF	51,720
Accounts payable	(918,221)
Accrued expenses and other liabilities	 563,659
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 13,802,817
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	
Wastewater sewer extensions contributed by area developers and other governments	\$ 72,200
Cost of capital assets included in accounts payable	\$ 3,954,616
Capital assets acquired through capital lease	\$ 386,123

NOTES TO FINANCIAL STATEMENTS

April 30, 2017

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 principles (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. Investments in Illinois Funds, a money market pool created by Illinois State Legislature under the control of the Illinois State Treasurer, are reported at \$1 per share value, which equals the price for which the investment could be sold. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 acquisition value on the date donated.

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 2016 tax levy are as follows:

	Limit	2016
	Rate	Rate
Corporate	0.1660	0.1547
Sewerage chlorination	0.0500	0.0338
Public benefit	0.0500	0.0197

NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Property Taxes (Continued)

The other tax levies of the District are not subject to tax rate limitations. The 2017 tax levy, which attached as an enforceable lien on property as of January 1, 2017, has not been recorded as a receivable as of April 30, 2017 as the tax has not yet been levied by the District and will not be levied until September 2017 and, therefore, the levy is not measurable at April 30, 2017.

h. User Charges

User charges are recognized as revenue when earned. As of April 30, 2017, 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.

i. 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, premiums, and gains/losses on refundings 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Net Position

Restrictions of fund balance are reported for amounts constrained by legal restrictions from outside parties for a specific purpose, or externally imposed by outside entities. 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.

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.

NOTES TO FINANCIAL STATEMENTS (Continued)

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

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.

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, 2017:

	Investment Maturities (in Years)										
	Fair	Less than			Greater than						
Investment Type	Value	1	1-5	6-10	10						
U.S. agencies Negotiable certificates	\$ 1,050,000	\$ -	\$ 1,050,000	\$	- \$ -						
of deposit	9,153,326	6,725,626	2,427,700								
TOTAL	\$ 10,203,326	\$ 6,725,626	\$ 3,477,700	\$	- \$ -						

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2017, the U.S. agency obligations and the negotiable certificates of deposit are valued using quoted matrix pricing models (Level 2 inputs).

NOTES TO FINANCIAL STATEMENTS (Continued)

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

b. Investments (Continued)

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. Illinois Funds are rated AAA and U.S. agencies are rated AA+ 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.

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, 2017 was as follows:

	Balances				Balances
	 May 1	Additions	Deletions	Transfers	April 30
Capital assets not being depreciated					
Land	\$ 5,692,097	\$ 17,838	\$ -	\$ -	\$ 5,709,935
Construction in progress	 30,730,412	18,936,807	-	(26,696,431)	22,970,788
Total capital assets not being depreciated	 36,422,509	18,954,645		(26,696,431)	28,680,723
Capital assets being depreciated					
Treatment plant	115,749,332	24,590	-	15,913,035	131,686,957
Sewers and lift stations	371,361,587	78,548	-	9,930,066	381,370,201
Machinery and equipment	 18,276,327	1,398,745	677,519	853,330	19,850,883
Total capital assets being depreciated	505,387,246	1.501.883	677.519	26,696,431	532,908,041
acpreciated	303,307,240	1,501,665	011,317	20,070,431	332,700,041

NOTES TO FINANCIAL STATEMENTS (Continued)

3. CAPITAL ASSETS (Continued)

	Balances May 1	Additions	Deletions	Transfers	Balances April 30
Less accumulated depreciation					•
Treatment plant	\$ 59,791,430	\$ 3,449,367	\$ -	\$ _	\$ 63,240,797
Sewers and lift stations	131,453,448	7,228,923	-	-	138,682,371
Machinery and equipment	13,809,237	1,288,313	645,641	-	14,451,909
Total accumulated depreciation	 205,054,115	11,966,603	645,641	-	216,375,077
Net capital assets being depreciated	 300,333,131	(10,464,720)	31,878	26,696,431	316,532,964
TOTAL CAPITAL ASSETS, NET	\$ 336,755,640	\$ 8,489,925	\$ 31,878	\$ -	\$ 345,213,687

For the year ended April 30, 2017, the District capitalized interest costs of \$34,845.

4. LONG-TERM LIABILITIES

The District's long-term liabilities outstanding consisted of the following at April 30, 2017:

		Balances						Balances	Dι	ue Within
		May 1	A	Additions]	Deletions		April 30	C	ne Year
Illinois IEPA loans	_		_		_		_		_	
Sewer Lining Project	\$	785,228	\$	-	\$	(60,501)	\$	724,727	\$	62,024
McDonald Creek Project		1,289,597		-		(98,587)		1,191,010		101,067
Clarifier/Voltage Switches Project		300,883		-		(24,213)		276,670		24,822
Rock River East Project		1,367,417		-		(94,305)		1,273,112		94,305
Point Repair/Lining Project		1,867,092		-		(113,910)		1,753,182		115,339
Fuller Creek Project		12,492,872		-		(534,882)		11,957,990		545,255
Main Line Repairs/Lining Project		2,054,582		-		(93,387)		1,961,195		95,198
Excess Flow		4,828,490		1,165,889		(112,086)		5,882,293		-
Sewer Lining		472,320		1,904,079		(45,360)		2,331,039		-
Fuller Creek Phase 3		-		744,405		_		744,405		-
Spring Creek Sanitary Sewer		-		3,548,899		-		3,548,899		-
Total Illinois IEPA loans		25,458,481		7,363,272		(1,177,231)		31,644,522		1,038,010
Capital lease payable		317,973		386,123		(151,665)		552,431		186,143
Bonds payable										
General Obligation Alternate										
Bonds, Series 2007		3,460,000		_		(3,135,000)		325,000		235,000
General Obligation Alternate		, ,				, , ,		,		Ź
Bonds, Series 2008		7,445,000		_		(6,525,000)		920,000		490,000
General Obligation Alternate		, ,				, , ,		,		ĺ
Bonds, Series 2009		4,370,000		_		(270,000)		4,100,000		275,000
General Obligation Alternate		, ,				(,)		,,		,
Bonds, Series 2010B		7,045,000		-		(400,000)		6,645,000		400,000

NOTES TO FINANCIAL STATEMENTS (Continued)

4. LONG-TERM LIABILITIES (Continued)

		Balances May 1	Α	Additions	I	Deletions		Balances April 30	_	ue Within One Year
Bonds payable (Continued)										
General Obligation Alternate Bonds, Series 2013A	\$	9,700,000	\$		\$	(1,595,000)	\$	8,105,000	\$	1,285,000
Taxable General Obligation	Ф	9,700,000	Ф	-	Ф	(1,393,000)	Ф	6,105,000	Ф	1,265,000
Alternate Bonds, Series 2013B		765,000		-		(765,000)		-		-
General Obligation Alternate		0.740.000				(255,000)		0.107.000		2 < 7 000
Bonds, Series 2014 General Obligation Alternate		8,540,000		-		(355,000)		8,185,000		365,000
Bonds, Series 2017		-		9,140,000		-		9,140,000		_
Total bonds payable		41,325,000		9,140,000	(13,045,000)		37,420,000		3,050,000
Bond premium (discounts)		1,021,256		373,168		(263,487)		1,130,937		70,125
Net OPEB obligation		261,862		13,530		-		275,392		-
Compensated absences		1,590,098		1,690,421		(1,590,098)		1,690,421		515,015
Net pension liability		4,789,256		539,472		-		5,328,728		-
Claims payable		829,873		-		(329,873)		500,000		
TOTAL	\$	75,593,799	\$:	19,535,986	\$ (16,557,354)	\$	78,542,431	\$	4,859,293

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

Year Ending	Illinois EPA Loans					General Obligation Bonds				
April 30,		Principal		Interest		Principal		Interest		
2018	\$	1,038,009	\$	340,763	\$	3,010,000	\$	1,275,724		
2019		1,056,603		322,170		3,165,000		1,287,758		
2020		1,075,575		303,198		3,255,000		1,196,432		
2021		1,094,932		283,840		3,350,000		1,107,205		
2022		1,114,684		264,089		3,430,000		1,012,142		
2023-2027		5,882,436		1,009,802		12,695,000		3,542,245		
2028-2032		4,983,649		512,433		7,210,000		1,131,475		
2033-2035		2,891,998		105,116		1,305,000		98,750		
TOTAL	\$	19,137,886	\$	3,141,411	\$	37,420,000	\$	10,651,731		

The total principal payments above for the Illinois EPA Loans does not agree to the long-term liabilities schedule presented as no repayment schedule has been determined for the Sewer Lining, Excess Flow, Fuller Creek Phase 2, and Spring Creek Sanitary Sewer loans.

NOTES TO FINANCIAL STATEMENTS (Continued)

4. LONG-TERM LIABILITIES (Continued)

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,	
2018	\$ 198,304
2019	169,314
2020	78,017
2021	78,017
2022	 58,513
Total minimum lease payments	582,165
Amount representing interest	 (29,734)
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	\$ 552,431

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, 2017, the outstanding balance on the loan was \$724,727.

The District paid principal and interest payments totaling \$79,756 during fiscal year 2017. 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, 2017, the outstanding balance on the loan was \$1,191,010.

The District paid principal and interest payments totaling \$130,215 during fiscal year 2017. The final repayment of the loan is due September 2027. Interest is at a rate of 2.5%.

NOTES TO FINANCIAL STATEMENTS (Continued)

4. LONG-TERM LIABILITIES (Continued)

a. Illinois EPA Loans (Continued)

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, 2017, the outstanding balance on the loan was \$276,670.

The District paid principal and interest payments totaling \$31,585 during fiscal year 2017. 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 2017. 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, 2017, the outstanding balance on the loan was \$1,273,112.

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, 2017, the outstanding balance on the loan was \$1,753,182.

The District paid principal and interest payments totaling \$136,894 during fiscal year 2017. 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 2017. The loan calls for semiannual principal and interest payments through maturity at February 2035, and bears interest at 1.93%. As of April 30, 2017, the outstanding balance on the loan was \$11,957,990. The District paid interest payments totaling \$773,426 during fiscal year 2017.

NOTES TO FINANCIAL STATEMENTS (Continued)

4. LONG-TERM LIABILITIES (Continued)

a. Illinois EPA Loans (Continued)

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, 2017, the outstanding balance on the loan was \$1,961,195. The District paid principal and interest payments totaling \$132,592 during fiscal year 2017.

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 semiannual principal and interest payments through maturity at June 2036, and bears interest at 2.21%. As of April 30, 2017, the outstanding balance on the loan was \$5,882,293. The District paid principal and interest payments totaling \$172,061 during fiscal year 2017. A final repayment schedule has not yet been established for this loan.

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 semiannual principal and interest payments through maturity at July 2036, and bears interest at 2.21%. As of April 30, 2017, the outstanding balance on the loan was \$2,331,039. The District paid principal and interest payments totaling \$69,632 during fiscal year 2017. A final repayment schedule has not yet been established for this loan.

Fuller Creek Phase 3

The District entered into a water revolving fund loan agreement with the IEPA in fiscal year 2017 for improvement of the Fuller Creek sanitary sewer. The loan calls for semiannual principal and interest payments through maturity at June 2038, and bears interest at 1.75%. The total amount of loan disbursements to be made to the District under this agreement is \$18,628,751. The District received \$744,405 in principal draws under this agreement during the year ended April 30, 2017. The Fuller Creek Phase 3 project is still in the construction phase and, therefore, no repayment schedule has been determined as of April 30, 2017.

NOTES TO FINANCIAL STATEMENTS (Continued)

4. LONG-TERM LIABILITIES (Continued)

a. Illinois EPA Loans (Continued)

Spring Creek Sanitary Sewer

The District entered into a water revolving fund loan agreement with the IEPA in fiscal year 2017 for improvement of the Spring Creek sanitary sewer. The loan calls for semiannual principal and interest payments through maturity at December 2037, and bears interest at 1.75%. The total amount of loan disbursements to be made to the District under this agreement is \$10,139,872. The District received \$3,548,899 in principal draws under this agreement during the year ended April 30, 2017. The Spring Creek sanitary sewer project is still in the construction phase and, therefore, no repayment schedule has been determined as of April 30, 2017.

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.

During fiscal year 2017, the District entered into a capital lease payable for computer equipment, payable in monthly installments ranging from \$6,501 to \$7,582 including interest of 3.10% through February of 2022.

The cost of the assets acquired under capital lease is \$386,123.

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.

NOTES TO FINANCIAL STATEMENTS (Continued)

4. LONG-TERM LIABILITIES (Continued)

c. General Obligation Alternate Bonds (Continued)

Series 2007 (Continued)

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

These bonds were partially refunded by the General Obligation Alternate Refunding Bonds Series 2017. The remaining balance of \$325,000 is due in annual installments of principal on December 15 in varying amounts ranging from \$90,000 to \$235,000, with interest payable semiannually at 4.0% to 5.4% maturing on December 15, 2018.

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.

These bonds were partially refunded by the General Obligation Alternate Refunding Bonds Series 2017. The remaining balance of \$920,000 is due in annual installments of principal on December 15 in varying amounts ranging from \$450,000 to \$470,000, with interest payable semiannually at 4.250% to 4.375% maturing on December 15, 2018.

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.

NOTES TO FINANCIAL STATEMENTS (Continued)

4. LONG-TERM LIABILITIES (Continued)

c. General Obligation Alternate Bonds (Continued)

Series 2010B (Continued)

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.

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.

Series 2014

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.

NOTES TO FINANCIAL STATEMENTS (Continued)

4. LONG-TERM LIABILITIES (Continued)

c. General Obligation Alternate Bonds (Continued)

Advance Refunding - General Obligation Alternate Bonds Series 2017

On April 27, 2017, the District issued \$9,140,000 General Obligation Alternate Refunding Bond Series 2017. The District passed an ordinance directing the execution of an escrow agreement in order to partially refund General Obligation Alternate Bond Series 2007 issued by the District and outstanding in the principal amount of \$2,905,000 and to partially refund General Obligation Alternate Bond Series 2008 issued by the District and outstanding in the principal amount of \$6,100,000. This advance refunding was undertaken to reduce total debt service payments over the next nine years by \$1,031,011 and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$924,050. The reacquisition price exceeded the net carrying amount of the old debt by \$148,223. This amount is being amortized over the remaining life of the refunding debt.

Proceeds in the amount of \$9,332,172 from the refunding bonds along with \$247,186 from the District's debt service funds were used to execute the escrow agreement. The refunded \$2,905,000 General Obligation Alternate Bond Series 2007 bonds will be called in its entirety on December 15, 2017 and the refunded \$6,100,000 General Obligation Alternate Bond Series 2008 bonds will be called in its entirety on December 15, 2018.

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, 2017 is as follows:

DAG	Pledged	Pledge	Commitment
Debt Issue	Revenue Source	Remaining	End Date
2007	Revenues of the system	\$ 344,890	12/15/2027
2008	Revenues of the system	980,250	12/15/2027
2009	Revenues of the system	5,407,088	12/15/2028
2010B	Revenues of the system	9,545,415	12/15/2029
2013A	Revenues of the system	8,741,775	12/15/2022
2014	Revenues of the system	11,951,150	12/15/2033
2017	Revenues of the system	11,101,164	12/15/2028

NOTES TO FINANCIAL STATEMENTS (Continued)

4. LONG-TERM LIABILITIES (Continued)

c. General Obligation Alternate Bonds (Continued)

Advance Refunding - General Obligation Alternate Bonds Series 2017 (Continued)

A comparison of the pledged revenues collected and the related principal and interest expenditure for fiscal year 2017 is as follows:

		Pledged		
	Pledged	Revenue	Principal and	Commitment
Debt Issue	Revenue Source	Collected	Interest Paid	End Date
2007	Revenues of the system	\$ 16,038,320	\$ 3,291,173	12/15/2027
2008	Revenues of the system	16,038,320	6,877,250	12/15/2028
2009	Revenues of the system	16,038,320	452,550	12/15/2028
2010B	Revenues of the system	16,038,320	773,870	12/15/2029
2013A	Revenues of the system	16,038,320	1,815,525	12/15/2022
2014	Revenues of the system	16,038,320	700,350	12/15/2033
2017	Revenues of the system	16,038,320	_	12/15/2028

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, 2017.

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.

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, 2016, IMRF membership consisted of:

Inactive employees or their beneficiaries	
currently receiving benefits	120
Inactive employees entitled to but not yet receiving benefits	24
Active employees	110
TOTAL	254

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 4.50% 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 years ended December 31, 2016 and December 31, 2017 were 11.04% and 10.43%, respectively. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees.

Net Pension Liability

The District's net pension liability was measured as of December 31, 2016 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.

December 31, 2016
Entry-age normal
2.75%
3.75% to 14.50%
7.50%
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 2012). 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 2012). 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 2012). 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)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. 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 be available to make all projected future benefit payments of current plan members.

Changes in the Net Pension Liability

		(a) Total Pension Liability	(b) Plan Fiduciary Net Position	N	(a) - (b) Wet Pension (Asset) Liability
BALANCES AT	_			_	
JANUARY 1, 2016	\$	58,434,507	\$ 53,645,251	\$	4,789,256
Changes for the period					
Service cost		828,881	-		828,881
Interest		4,294,310	-		4,294,310
Difference between expected					
and actual experience		690,650	-		690,650
Changes in assumptions		(67,574)	-		(67,574)
Employer contributions		-	959,118		(959,118)
Employee contributions		-	366,170		(366,170)
Net investment income		-	3,638,819		(3,638,819)
Benefit payments and refunds		(3,030,078)	(3,030,078)		-
Administrative expense		-	-		-
Other (net transfer)		-	242,688		(242,688)
Net changes		2,716,189	2,176,717		539,472
1 (or onungos		2,710,107	2,170,717		337,172
BALANCES AT					
DECEMBER 31, 2016	\$	61,150,696	\$ 55,821,968	\$	5,328,728

There was a change in assumptions with respect to the discount rate.

NOTES TO FINANCIAL STATEMENTS (Continued)

5. DEFINED BENEFIT PENSION PLAN (Continued)

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

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

For the year ended April 30, 2017, the District recognized pension expense of \$1,668,838. At April 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to IMRF from the following sources:

			Net
	Deferred	Deferred	Deferred
	Outflows of	Inflows of	Outflow of
	Resources	Resources	Resources
Difference between expected and			
actual experience	\$ 685,217	\$ -	\$ 685,217
Changes in assumption	35,119	51,720	(16,601)
Net difference between projected and actual			
earnings on pension plan investments	2,532,861	-	2,532,861
Contributions subsequent to the	, ,		, ,
measurement date	311,799	-	311,799
TOTAL	\$ 3,564,996	\$ 51,720	\$ 3,513,276

\$311,799 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended April 30, 2018. Other 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,	
2018 2019 2020 2021	\$ 1,051,457 1,051,457 994,285 104,278
TOTAL	\$ 3,201,477

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 sensitivity 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 7.5% 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 (6.5%) or 1 percentage point higher (8.5%) than the current rate:

				Current		
	1	% Decrease	Di	scount Rate	1	% Increase
		(6.5%)		(7.5%)		(8.5%)
	·					-
Net pension liability (asset)	\$	12,577,623	\$	5,328,728	\$	(717,222)

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, 2017, 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 2017, 2016, and 2015 was as follows:

For	Annual			Percentage		Net
Fiscal	OPEB		Actual	of APC		OPEB
Year	Cost	Co	ontribution	Contributed	(Obligation
2017	\$ 159,384	\$	145,854	91.51%	\$	275,392
2016	159,294		145,854	91.56%		261,862
2015	107,564		62,991	58.56%		248,422

The net OPEB obligation as of April 30, 2017, was calculated as follows:

Annual required contribution Interest on net OPEB obligation Adjustment to annual required contribution	\$ 157,638 10,475 (8,729)
Annual OPEB cost Contributions made	159,384 145,854
Increase in net OPEB obligation Net OPEB obligation, beginning of year	 13,530 261,862
NET OPEB OBLIGATION, END OF YEAR	\$ 275,392

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 financial statements, presents multi-year 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, 2017 totaled approximately \$23,149,938.

b. Pending Litigation

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 \$550,000 with a statutory limit. The District also has purchased aggregate excess insurance that provides for losses in excess of an estimated \$1,388,452 with a limit of \$1,000,000. No claims have reached this limit.

NOTES TO FINANCIAL STATEMENTS (Continued)

8. RISK MANAGEMENT (Continued)

Workers' Compensation (Continued)

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

	2017	2016
UNPAID CLAIMS, MAY 1 Incurred claims (including IBNR's)* Claim payments	\$ 829,873 (77,833) (252,040)	\$ 852,583 331,184 (353,894)
UNPAID CLAIMS, APRIL 30	\$ 500,000	\$ 829,873

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.

*Claims incurred in fiscal year 2017 show as a negative figure above due to a decrease in estimated unpaid claims by the District's claims administrator.



SCHEDULE OF FUNDING PROGRESS OTHER POSTEMPLOYMENT BENEFIT PLAN

Last Six Fiscal Years

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)
2017	N/A	N/A	N/A	N/A	N/A	N/A
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%

N/A - The District did not have an actuarial valuation as of April 30, 2017, 2016, 2014, and 2013.

SCHEDULE OF EMPLOYER CONTRIBUTIONS ILLINOIS MUNICIPAL RETIREMENT FUND

Last Two Fiscal Years

FISCAL YEAR ENDED APRIL 30,	2016	2017
Actuarially determined contribution	\$ 873,398	\$ 903,898
Contributions in relation to the actuarially determined cont	 873,398	903,898
CONTRIBUTION DEFICIENCY (Excess)	\$ -	\$ -
Covered-employee payroll	\$ 7,634,596	\$ 8,363,961
Contributions as a percentage of covered-employee payroll	11.44%	10.81%

Notes to Required Supplementary Information

The information presented was determined as part of the actuarial valuations as of January 1 of the prior fiscal year. 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 27 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 3.75% to 14.50% compounded annually, and postretirement benefit increases of 3.00% compounded annually.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

SCHEDULE OF EMPLOYER CONTRIBUTIONS OTHER POSTEMPLOYMENT BENEFIT PLAN

Last Six Fiscal Years

Fiscal Year	mployer ntributions	R Cor	Annual Required Intribution (ARC)	Percentage Contributed
2017	\$ 145,854	\$	157,638	92.52%
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%

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

Last Two Fiscal Years

MEASUREMENT DATE DECEMBER 31,	2015		2016
TOTAL PENSION LIABILITY	04 - 700	_	000 001
Service cost	\$ 	\$	828,881
Interest	4,120,053		4,294,310
Changes of benefit terms	-		-
Differences between expected and actual experience	292,148		690,650
Changes of assumptions	65,513		(67,574)
Benefit payments, including refunds of member contributions	 (2,771,003)		(3,030,078)
Net change in total pension liability	2,523,231		2,716,189
Total pension liability - beginning	 55,911,276		58,434,507
TOTAL PENSION LIABILITY - ENDING	\$ 58,434,507	\$	61,150,696
PLAN FIDUCIARY NET POSITION			
Contributions - employer	\$ 873,398	\$	959,118
Contributions - member	346,821		366,170
Net investment income	269,400		3,638,819
Benefit payments, including refunds of member contributions	(2,771,003)		(3,030,078)
Other (net transfer)	 271,228		242,688
Net change in plan fiduciary net position	(1,010,156)		2,176,717
Plan fiduciary net position - beginning	 54,655,407		53,645,251
PLAN FIDUCIARY NET POSITION - ENDING	\$ 53,645,251	\$	55,821,968
EMPLOYER'S NET PENSION LIABILITY	\$ 4,789,256	\$	5,328,728
Plan fiduciary net position			
as a percentage of the total pension liability	91.80%		91.29%
Covered-employee payroll	\$ 7,634,596	\$	8,137,119
Employer's net pension liability as a percentage of covered-employee payroll	62.73%		65.49%

Notes to Required Supplementary

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

In 2015 and 2016, there was a change in assumptions with respect to the discount rate.



COMBINING BALANCE SHEET

April 30, 2017

	General Operations	Public Benefit	Special Assessments	Eliminations	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
CURRENT ASSETS					
Cash and cash equivalents	\$ 14,104,887	\$ 2,020,241	\$ 1,527,798	\$ -	\$ 17,652,926
Investments	4,160,124	1,167,535	882,941	-	6,210,600
Restricted assets					
Cash and cash equivalents	2,374	-	-	-	2,374
Investments	3,992,726	-	-	-	3,992,726
Receivables					
Billed user charges (net of allowance for					
uncollectible amounts of \$185,000)	3,229,286	-	-	-	3,229,286
Property taxes	4,540,357	473,865	-	-	5,014,222
Other	69,761	-	758,391	-	828,152
Due from special assessments	528,350	-	-	(528,350)	-
Estimated unbilled user charges	6,416,490	-	-	-	6,416,490
Accrued interest income	39,402	-	-	-	39,402
Prepaid expenses	404,421	-	-	-	404,421
Total current assets	37,488,178	3,661,641	3,169,130	(528,350)	43,790,599
Capital assets not being depreciated	28,193,043	-	487,680	-	28,680,723
Capital assets being depreciated, net	316,532,964	-	-	-	316,532,964
Total capital assets	344,726,007		487,680	-	345,213,687
Total assets	382,214,185	3,661,641	3,656,810	(528,350)	389,004,286
DEFERRED OUTFLOWS OF RESOURCES					
Pension items - IMRF	3,564,996	-	-	-	3,564,996
Unamortized loss on refunding	148,223	-	-	-	148,223
Total deferred outflows of resources	3,713,219	-	-	-	3,713,219
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 385,927,404	\$ 3,661,641	\$ 3,656,810	\$ (528,350)	\$ 392,717,505

COMBINING BALANCE SHEET (Continued)

April 30, 2017

	General Operations	Public Benefit	Special Assessments	Eliminations	Total	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION						
CURRENT LIABILITIES						
Current portion of long-term debt	\$ 4,859,293	\$ -	\$ -	\$ -	\$ 4,859,293	
Accounts payable	5,233,141	-	121,289	-	5,354,430	
Accrued expenses						
Salaries and wages	173,278	-	-	-	173,278	
Pension contribution	30,806	-	-	-	30,806	
Accrued interest	515,163	-	-	-	515,163	
Other	76,263	-	-	-	76,263	
Due to other governments	208,900	-	-	-	208,900	
Due to general operations		-	528,350	(528,350)	-	
Total current liabilities	11,096,844		649,639	(528,350)	11,218,133	
LONG-TERM LIABILITIES						
Claims payable	500,000	-	-	-	500,000	
Long-term debt, net of current maturities	67,854,410	-	-	-	67,854,410	
Net pension liability	5,328,728	-	-	-	5,328,728	
Total long-term liabilities	73,683,138	-	-	-	73,683,138	
Total liabilities	84,779,982		649,639	(528,350)	84,901,271	
DEFERRED INFLOWS OF RESOURCES						
Deferred revenue - property taxes	4,540,357	473,865	-	-	5,014,222	
Pension items - IMRF	51,720	-	-	-	51,720	
Total deferred inflows of resources	4,592,077	473,865	-	-	5,065,942	
NET POSITION						
Net investment in capital assets	270,171,724	-	487,680	-	270,659,404	
Restricted for						
Pubic benefit	-	3,187,776		-	3,187,776	
Special assessments	-	-	2,519,491	-	2,519,491	
Debt service	3,995,100	-	-	-	3,995,100	
Unrestricted	22,388,521	-	-	-	22,388,521	
Total net position	296,555,345	3,187,776	3,007,171	-	302,750,292	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 385,927,404	\$ 3,661,641	\$ 3,656,810	\$ (528,350)	\$ 392,717,505	

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

		General Decrations	Public Benefit	Special Assessments	Eliminations		Total
	_	perations	Denent	rissessments	Limitations		1000
OPERATING REVENUES							
User charges							
Operation and maintenance	\$	31,771,981	\$ -	\$ -	\$ -	\$	31,771,981
Inspection fees and other user charges		204,845	-	-	-		204,845
Total user charges		31,976,826	-	-	-		31,976,826
Collection charges and penalties		427,272	_	_	_		427,272
Operating contributions from property owners							
and other governments		1,005,243	_	116,654	_		1,121,897
Other		928,071	6,000	-	_		934,071
oner		720,071	0,000				23 1,071
Total operating revenues		34,337,412	6,000	116,654	-		34,460,066
OPERATING EXPENSES							
Operations		15,156,571	-	-	-		15,156,571
Administration		4,744,587	-	31,573	-		4,776,160
Depreciation		11,966,603	-	-	-		11,966,603
•							
Total operating expenses		31,867,761	-	31,573	-		31,899,334
OPERATING INCOME (LOSS)		2,469,651	6,000	85,081	-		2,560,732
NON-OPERATING REVENUES (EXPENSES)							
Property taxes		3,860,801	1,038,771	_	_		4,899,572
Assessments		6,387	-	_	_		6,387
Illinois personal property replacement taxes		1,814,742	_	_	_		1,814,742
Grant revenue		232,525	_	_	_		232,525
Investment income		113,994	12,785	51,680	_		178,459
Gain on sale of asset		73,079	12,763	51,000	_		73,079
Bond issuance costs		(175,461)	_	_	_		(175,461)
Interest expense		(2,045,326)	_	(511)	_		(2,045,837)
-	_						
Total non-operating revenues (expenses)		3,880,741	1,051,556	51,169	-		4,983,466
INCOME BEFORE CAPITAL							
CONTRIBUTIONS AND TRANSFERS		6,350,392	1,057,556	136,250	_		7,544,198
		0,000,000	-,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	,			.,,,,,,,,,
Capital contributions		72,200	_	_	_		72,200
Transfers in		2,890,013	181,943	531,287	(3,603,243))	-
Transfers (out)		-	(531,287)	(3,071,956)	3,603,243		_
			(001,201)	(0,000,000)	2,000,000		
CHANGE IN NET POSITION		9,312,605	708,212	(2,404,419)	-		7,616,398
NET POSITION, MAY 1	:	287,242,740	2,479,564	5,411,590	-		295,133,894
NET POSITION, APRIL 30	\$ 2	296,555,345	\$ 3,187,776	\$ 3,007,171	\$ -	\$	302,750,292

SCHEDULE OF CAPITAL ASSETS

For the Year Ended April 30, 2017

			Capital Assets				Accumulated	Depreciation	
	-		•				Current	•	
	Amril 20, 2016	Additions	Detinomenta	Tuanafana	A maril 20, 2017	A maril 20, 2016	Year Depreciation	Datinomenta	A mail 20, 2017
	April 30, 2016	Additions	Retirements	Transfers	April 30, 2017	April 30, 2016	Depreciation	Retirements	April 30, 2017
TREATMENT PLANT									
Land	\$ 5,692,097	\$ 17,839	\$ -	\$ -	\$ 5,709,936	\$ -	\$ -	\$ -	\$ -
Buildings	18,608,135	-	-	_	18,608,135	6,113,611	585,341	-	6,698,952
Improvements	7,092,596	24,588	-	1,803,188	8,920,372	2,365,887	437,541	-	2,803,428
Aeration	26,055,469	-	-	629,527	26,684,996	18,955,721	669,584	-	19,625,305
Vacuum filter and incineration	16,198,042	-	-	_	16,198,042	11,452,617	263,635	-	11,716,252
Pumping equipment	7,274,218	-	-	6,403,411	13,677,629	4,437,324	297,795	-	4,735,119
Grit and sludge equipment	2,272,700	-	-	_	2,272,700	1,506,577	48,588	-	1,555,165
Primary settling equipment	4,025,730	-	-	_	4,025,730	3,210,432	109,570	-	3,320,002
Chlorination equipment	870,249	-	-	-	870,249	745,186	13,098	-	758,284
Biosolids	26,349,195	-	-	-	26,349,195	6,393,337	590,852	-	6,984,189
Miscellaneous equipment	642,630	-	-	_	642,630	641,029	320	-	641,349
Cogeneration	4,753,578	-	-	7,076,910	11,830,488	2,866,416	316,900	-	3,183,316
Engineering and other studies	1,606,790	-	-	-	1,606,790	1,103,293	116,142	-	1,219,435
Total treatment plant	121,441,429	42,427	_	15,913,036	137,396,892	59,791,430	3,449,366	_	63,240,796
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SEWER AND LIFT STATIONS	371,361,587	78,549	-	9,930,066	381,370,202	131,453,448	7,228,923	-	138,682,371
MACHINERY AND EQUIPMENT									
Trucks and automobiles	9,747,717	-	433,918	676,405	9,990,204	7,129,508	874,167	433,917	7,569,758
Engineering equipment	179,084	-	-	-	179,084	179,084	-	-	179,084
Chemistry equipment	669,924	-	-	-	669,924	485,958	50,135	-	536,093
Supporting services equipment	652,862	-	-	-	652,862	594,759	29,722	-	624,481
Sewer maintenance equipment	3,034	-	-	-	3,034	3,035	-	-	3,035
Maintenance equipment	386,638	-	84,216	157,000	459,422	356,290	11,195	84,216	283,269
Office equipment	12,813	-	-	-	12,813	8,010	2,403	-	10,413
Computer hardware and software	6,624,255	1,398,745	159,385	19,925	7,883,540	5,052,593	320,692	127,508	5,245,777
Total machinery and equipment	18,276,327	1,398,745	677,519	853,330	19,850,883	13,809,237	1,288,314	645,641	14,451,910
governvers var an og preg									
CONSTRUCTION IN PROGRESS	2 210 520	1.050.166		(2.000.012)	407 (01				
Special assessments	2,318,528	1,059,166	-	(2,890,013)		-	-	-	-
General operations	28,411,884	17,877,641	-	(23,806,419)	22,483,106		-	-	
Total construction in progress	30,730,412	18,936,807	-	(26,696,432)	22,970,787	-	-	-	
TOTAL CAPITAL ASSETS	\$ 541,809,755	\$ 20,456,528	\$ 677,519	\$ -	\$ 561,588,764	\$ 205,054,115	\$ 11,966,603	\$ 645,641	\$ 216,375,077

(See independent auditor's report.) - 41 -

SCHEDULE OF DEPARTMENTAL EXPENSES GENERAL OPERATING SUBFUND

	Budget	Actual	Over (Under)
ADMINISTRATION			
General			
Personnel	\$ 672,090	\$ 857,801	\$ 185,711
Operating cost	12,400	8,846	(3,554)
Contractual	813,469	554,627	(258,842)
Total general	1,497,959	1,421,274	(76,685)
Billing and collection			
Personnel	815,565	849,051	33,486
Operating cost	110,214	48,001	(62,213)
Contractual	437,225	299,908	(137,317)
Total billing and collection	1,363,004	1,196,960	(166,044)
Information processing			
Personnel	1,015,771	1,051,286	35,515
Operating cost	185,200	216,797	31,597
Contractual	1,071,300	1,049,069	(22,231)
Repair and maintenance	5,000	2,563	(2,437)
Transfers	(150,000)	(193,362)	(43,362)
Total information processing	2,127,271	2,126,353	(918)
Total administration	4,988,234	4,744,587	(243,647)
ENGINEERING			
Personnel	2,487,773	2,409,482	(78,291)
Operating cost	17,650	8,434	(9,216)
Contractual	43,845	37,359	(6,486)
Repairs and maintenance	2,600	664	(1,936)
Transfers	(611,058)	(831,186)	(220,128)
Total engineering	1,940,810	1,624,753	(316,057)
PLANT OPERATIONS CONTROL			
General	15455	105 525	0.041
Personnel	176,774	185,735	8,961
Operating cost	46,374	51,612	5,238
Contractual	4,680	4,688	8
Total general	227,828	242,035	14,207

SCHEDULE OF DEPARTMENTAL EXPENSES (Continued) GENERAL OPERATING SUBFUND

	Budget	Actual	Over (Under)
PLANT OPERATIONS CONTROL (Continued)			
Chemistry			
Personnel	\$ 471,550	\$ 466,720	\$ (4,830)
Operating cost	157,300	119,047	(38,253)
Contractual	110,240	95,174	(15,066)
Repair and maintenance	10,000	5,154	(4,846)
Total chemistry	749,090	686,095	(62,995)
Water surveillance			
Personnel	628,962	636,423	7,461
Operating cost	17,150	13,300	(3,850)
Contractual	5,355	9,279	3,924
Repair and maintenance	4,000	3,104	(896)
Total water surveillance	655,467	662,106	6,639
Total plant operations control	1,632,385	1,590,236	(42,149)
SUPPORTING SERVICES			
General			
Personnel	817,194	839,248	22,054
Operating cost	1,000	-	(1,000)
Contractual	2,800	5,129	2,329
Total general	820,994	844,377	23,383
Building and grounds			
Personnel	143,943	115,001	(28,942)
Operating cost	111,000	103,296	(7,704)
Contractual	356,500	275,834	(80,666)
Repair and maintenance	135,000	94,764	(40,236)
Total building and grounds	746,443	588,895	(157,548)
Sewer and lift stations			
Personnel	2,658,571	2,416,277	(242,294)
Operating cost	273,000	293,600	20,600
Contractual	96,000	77,905	(18,095)
Repair and maintenance	945,000	1,309,662	364,662
Total sewer and lift stations	3,972,571	4,097,444	124,873

SCHEDULE OF DEPARTMENTAL EXPENSES (Continued) GENERAL OPERATING SUBFUND

	Budget	Actual	Over (Under)
SUPPORTING SERVICES (Continued)			
Trucks and automobiles			
Personnel	\$ 322,598	\$ 515,707	\$ 193,109
Operating cost	530,700	326,884	(203,816)
Contractual	60,200	42,924	(17,276)
Repair and maintenance	400,000	231,931	(168,069)
Total trucks and automobiles	1,313,498	1,117,446	(196,052)
Total supporting services	6,853,506	6,648,162	(205,344)
WASTEWATER TREATMENT			
General			
Personnel	1,607,466	1,557,204	(50,262)
Operating cost	13,500	13,294	(206)
Contractual	3,000	3,339	339
Real estate taxes	24,650	23,749	(901)
Repair and maintenance	-	9,463	9,463
Transfers	(81,400)	(68,779)	12,621
Total general	1,567,216	1,538,270	(28,946)
Pumping station			
Operating cost	197,000	171,832	(25,168)
Contractual	438,240	519,499	81,259
Repair and maintenance	31,000	32,874	1,874
Total pumping station	666,240	724,205	57,965
Grit and sludge removal			
Operating cost	1,900	2,318	418
Contractual	100,763	89,177	(11,586)
Repair and maintenance	11,000	43,503	32,503
Total grit and sludge removal	113,663	134,998	21,335
Vacuum filter and solids disposal			
Operating cost	343,500	381,796	38,296
Contractual	485,925	370,403	(115,522)
Repair and maintenance	250,000	108,414	(141,586)
Agricultural land	27,480	21,843	(5,637)
Total vacuum filter and solids disposal	1,106,905	882,456	(224,449)

SCHEDULE OF DEPARTMENTAL EXPENSES (Continued) GENERAL OPERATING SUBFUND

	Budget	Actual	Over (Under)
WASTEWATER TREATMENT (Continued)			
Aeration			
Operating cost	\$ 8,500		\$ 6,050
Contractual	383,140	365,888	(17,252)
Repair and maintenance	15,000	52,856	37,856
Total aeration	406,640	433,294	26,654
Maintenance			
Personnel	960,090	1,033,791	73,701
Operating cost	121,000	80,146	(40,854)
Contractual	80,860	104,834	23,974
Repair and maintenance	320,000	247,572	(72,428)
Total maintenance	1,481,950	1,466,343	(15,607)
Total wastewater treatment	5,342,614	5,179,566	(163,048)
TOTAL DEPARTMENT EXPENSES	\$ 20,757,549	\$ 19,787,304	\$ (970,245)
SUMMARY			
Personnel	\$ 11,935,889	\$ 11,909,178	\$ (26,711)
Operating cost	2,147,388	1,784,974	(362,414)
Contractual	4,493,542	3,905,036	(588,506)
Repair and maintenance	2,128,600		13,924
Agricultural land	27,480	21,843	(5,637)
Real estate taxes	24,650	23,749	(901)
Allocated departmental	20,757,549	19,787,304	(970,245)
Vacation and sick pay adjustments			
not allocated to departments	_	100,324	100,324
OPEB expense		13,530	13,530
TOTAL DEPARTMENTAL EXPENSES	\$ 20,757,549	\$ 19,901,158	\$ (856,391)
Operations		\$ 15,156,571	
Administration		4,744,587	-
TOTAL DEPARTMENTAL EXPENSES		\$ 19,901,158	=

OTHER SUPPLEMENTAL INFORMATION

HIGHLIGHTS OF THE PAST TEN YEARS

Last Ten Fiscal Years

Fiscal Year	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Residential user rate per hundred cubic feet	3.3883	3.1557	2.7935	2.5926	2.4083	2.2600	2.0766	1.9966	1.8234	1.6723
Tax rates (previous assessment year)	0.2082	0.2075	0.2008	0.1856	0.1665	0.1469	0.1362	0.1268	0.1243	0.1221
Area added to the District (in acres)	182.30	170.68	226.01	45.67	521.37	-	274.91	370.08	584.84	1104.56
Sanitary sewers built by the Districts and others (miles)	2.99	3.37	1.78	2.06	2.08	2.17	15.40	10.34	7.50	11.80
Operations, maintenance, and department expense	\$ 19,901,158	\$ 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
Total salaries and fringe benefits	12,023,032	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
Average full-time employees	110	110	110	110	110	110	111	111	110	110

ASSESSED VALUATIONS, RATES, EXTENSIONS, AND COLLECTIONS

Last Three Tax Years

Tax Year		2016		2015		2014
ASSESSED VALUATION	\$ 2	,405,408,511	\$ 2	,377,757,219	\$ 2	2,417,158,428
TAX RATES						
Public benefit		0.0197		0.0441		0.0437
Corporate		0.1547		0.1289		0.1230
Sewage chlorination		0.0338		0.0345		0.0341
TOTAL TAX RATES		0.2082		0.2075		0.2008
TAX EXTENSIONS						
Public benefit	\$	473,865	\$	1,048,591	\$	1,056,298
Corporate		3,721,167		3,064,929		2,973,105
Sewage chlorination		813,028		820,326		824,251
TOTAL TAX EXTENSIONS	\$	5,008,060	\$	4,933,846	\$	4,853,654
COLLECTIONS						
Public benefit			\$	1,038,771	\$	1,045,773
Corporate				3,036,228		2,943,480
Sewage chlorination				812,644		816,041
TOTAL COLLECTIONS			\$	4,887,643	\$	4,805,294
PERCENT COLLECTED TO DATE				99.06%		99.00%