

Rock River Water Reclamation District
Rockford, Illinois

Comprehensive Annual Financial Report

Fiscal Year Ended April 30, 2018



**ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Year Ended
April 30, 2018

**ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS
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ROCKFORD, ILLINOIS
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INTRODUCTORY SECTION

LIST OF PRINCIPAL OFFICIALS

2017/2018 Board of Trustees

Mr. Donald Massier, President

Mr. Elmer Jones, Vice President

Mr. Rick Pollack, Clerk/Treasurer

Mr. John Sweeney, Trustee

Mr. Ben Bernsten, Trustee

2017/2018 Administration

Mr. Timothy Hanson, District Director

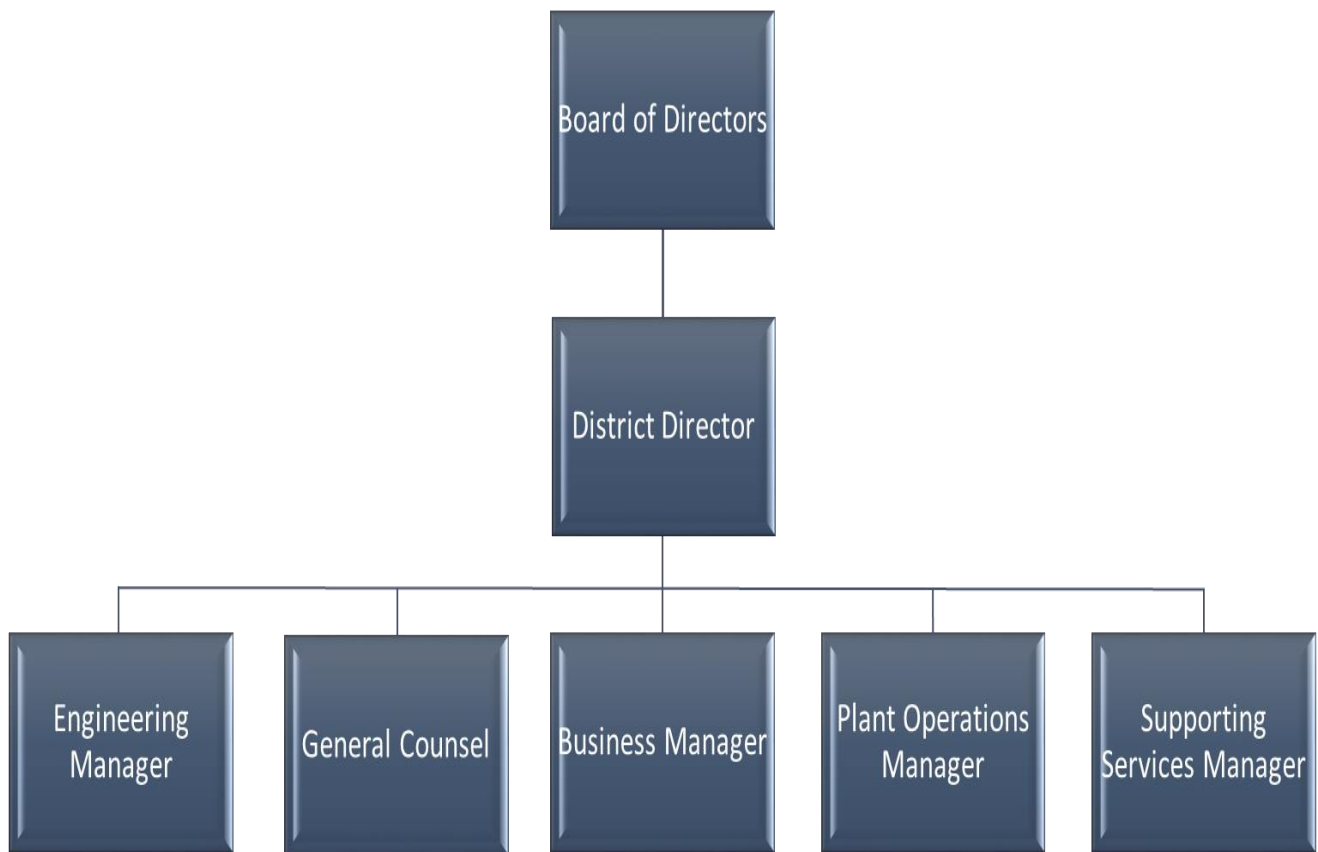
Mr. Christopher Baer, Engineering Manager

Mr. Chris Black, Business Manager

Mr. Joseph W. Hanley III, Esq., General Counsel

Mr. Larry McFall, Plant Operations Manager

Mr. Jim Reader, Supporting Services Manager





Rock River Water Reclamation District

3501 Kishwaukee Street
P.O. Box 7480
Rockford, IL 61126-7480

P. 815.387.7420
F. 815.387.7430

Board of Trustees

Donald Massier, President
Rick Pollack, Clerk/Treasurer
Elmer Jones, Trustee
John F. Sweeney, Trustee
Timothy S. Hanson, District Director

August 17, 2018

Board of Trustees
Rock River Water Reclamation District

Dear Trustees:

State law requires that the Rock River Water Reclamation District (District) publish a complete set of financial statements presented in conformance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of independent licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the District for the fiscal year ended April 30, 2018.

The report consists of management's representations concerning the finances of the District. Accordingly, management assumes full responsibility for the completeness and reliability of all of the information presented in the report. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, theft, or misuse and to compile

sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Sikich LLP, a firm of licensed certified public accountants, has audited the District's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal years ended April 30, 2018 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles use and significant estimates made by management; and evaluating the overall financial statement presentation. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, Sikich LLP expresses no such opinion. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District's financial statements for the fiscal years ended April 30, 2018 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE DISTRICT

General

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.

Service Area

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 currently has an agreement with the Village of Winnebago to own and operate their plant and collection system.

Profile of District

The District cleanses the wastewater in accordance with the District's Illinois Environmental Protection Agency (IEPA) Permit before effluent is released back into the environment. This process safeguards public health as well as protects aquatic life in the waterway that receives the effluent. Staff regularly inspect and evaluate the health of the aquatic ecosystem in the receiving waterway to ensure compliance with state and federal water quality standards.

The District owns and maintains a majority of the wastewater collection sewers within the service area. The District's approximately 1,131-mile-long 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 contaminants 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.

Governance

The District's governing body is the Rock River Water Reclamation District Board of Trustees, which is composed of five members.

Budgets

The general provisions that regulate the District's budget and appropriation procedures are set forth in Illinois statutes. The Director is required to submit an operating, debt service and capital budget to the Trustees annually.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the District operates.

Local Economy

The Rockford metropolitan area continues to reflect a solid economic base and diversification despite the major recession that occurred ten years ago. After six straight years of declining property values, for the second consecutive year, taxable valuations in 2017 increased 2.0% following a 1.2% increase in the District's service area in 2016.

Another indicator of the improvement in the Rockford area economy has been the decrease in the unemployment rate. The annual unemployment rate in Winnebago

County was 6.3% in 2017 compared to 6.6% in 2016. The unemployment rate has now decreased each of the last five years since 2014 when the unemployment rate was 10.3%.

The ten-year plan provides for \$184.8 million in capital project expenditures from 2019 to 2028, primarily for rehabilitation, upgrade or replacement of assets at the District's water reclamation facilities, as well as new sewer extensions.

Long-Range Financial Planning

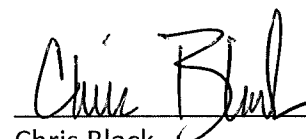
The District maintains long-range financial plans for its Operations and Maintenance (O&M) and Capital budgets. The District's operating budget utilizes a user charge stabilization fund and an equipment replacement fund to help stabilize user charge rates while improving customer service and the efficiency of operations. Items of note in the Fiscal Year 2018/19 operating budget include:

- \$34.2 million in budgeted sewer user charge billings for FY 2018/19, a 6.3% increase from FY 2017/18. The annual average District household charge of \$314 in 2018 represents an increase of \$19 or 6.4% from the FY 2017/18 amount of \$295.
- Total O&M expenditures were budgeted at \$22.9 million, 5.3% higher than in FY 2017/18.

The District's ten-year financing plan for the capital budget seeks to accomplish the District's capital program needs within the following financing objectives:

- At a minimum, 20% cash financing for capital projects, and
- Maintaining outstanding debt at no more than 5.75% of total equalized assessed value.



Timothy S. Hanson
Director

Chris Black
Business Manager

FINANCIAL SECTION

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, 2018, 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, 2018, 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 introductory section, supplemental schedules, and statistical section 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 introductory and statistical sections have 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 them.

Sikich LLP

Rockford, Illinois
September 10, 2018

**GENERAL PURPOSE EXTERNAL
FINANCIAL STATEMENTS**

ROCKFORD RIVER WATER RECLAMATION DISTRICT

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, 2018 and 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 \$310.3 million at April 30, 2018. This is an increase of \$7.6 million, or 2.5%, from the amount on April 30, 2017.
- The amount of unrestricted assets at April 30, 2018 totaled \$25.9 million, an increase of \$3.5 million or 15.6% from the prior year.
- Total restricted assets are \$10.0 and net investment in capital assets is \$274.4 million at April 30, 2018. The totals are an increase of \$.03 million and 3.8 million, respectively from April 30, 2017.
- Operating income for 2018 and 2017 fiscal years was \$7.4 million and \$7.5 million, respectively.
- User fee rates per hundred cubic feet increased from \$3.404 in April 2017 to \$3.608 in April 2018.

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.

ROCKFORD RIVER WATER RECLAMATION DISTRICT

Management Discussion and Analysis – Unaudited

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.

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. 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.

Financial Analysis

Net Position

The following schedule presents a summary of net asset comparisons for the fiscal years ended April 30, 2018 and 2017 (amounts in millions).

Condensed Statement of Net Assets (In Millions)

	FY 2018	FY 2017	Increase (Decrease)	
			Amount	%
Current assets	\$ 52.9	\$ 43.8	\$ 9.1	20.8%
Capital assets, net	365.4	345.2	20.2	5.9%
Deferred outflows of resources	2.2	3.7	(1.5)	0.0%
Total assets	420.5	392.7	27.8	7.1%
Current liabilities	12.0	11.2	0.8	7.1%
Long-term debt, less current portion	88.7	73.7	15.0	20.4%
Deferred inflows of resources	9.5	5.1	4.4	0.0%
Total liabilities and deferred inflows of resources	110.2	90.0	20.2	22.4%
Net investment in capital assets	274.4	270.6	3.8	1.4%
Restricted net position	10.0	9.7	0.3	3.1%
Unrestricted net position	25.9	22.4	3.5	15.6%
Total net position	\$ 310.3	\$ 302.7	\$ 7.6	2.5%

ROCKFORD RIVER WATER RECLAMATION DISTRICT

Management Discussion and Analysis – Unaudited

The District's net position at April 30, 2018 is \$310.3 million, an increase of \$7.6 million from the amount at April 30, 2017. The largest portion of the net position is reflected in the investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment) totaling \$274.4 million. Capital assets are calculated based on the net book value of capital assets less any related debt used to acquire those assets still outstanding.

Restricted net position represents outside legal restrictions on the remainder of the net position of the District. The restricted net position as of April 30, 2018 and April 30, 2017 is \$10.0 million and \$9.7 million, respectively. The restrictions for net position are for the purpose of public benefit, special assessments, and a debt service reserve.

The unrestricted net position at April 30, 2018 is \$25.9 million, an increase of \$3.5 million from the amount at April 30, 2017. The unrestricted amount includes an operating reserve equal to 25% of annual department operating expenses per the District's financial policies. A portion of the unrestricted amount represents resources available to meet the District's capital obligations in future years. The District plans to use \$22.3 million in cash for capital project funding over the next three fiscal years.

Revenue, expenses, and changes in net position

The schedule on the following page presents a summary of revenues, expenses, and changes in net position for the fiscal years ended April 30, 2018 and 2017 (amounts in millions).

The District's user charges were \$34.0 million in fiscal year 2018, which is a 6.3% increase from the prior year. The District had 74,900 customers and billable use estimated at 8.7 million units (100 cubic feet) of water use in fiscal year 2018. The District independently sets user fees that are calculated based on the quantity and quality of wastewater treated.

The District's operating expenses are grouped into three categories, operations, administration and depreciation. Operations and administration include salaries, employee benefits, supplies, contractual, and repair and maintenance expenses. Depreciation results from allocating that cost of assets capital assets to provide services over their useful lives. Total operating expenses were \$34.2 million in fiscal year 2018. Operating expenses less depreciation were \$20.9 million, an increase of \$0.9 million or 4.5% from fiscal year 2017.

Operating income for the District increased approximately \$2.0 million in fiscal year 2018, about \$0.5 million less than the previous year. Operating income is primarily attributable to the growth in user fees. Operating expenses increased at a higher percentage than operating revenues.

ROCKFORD RIVER WATER RECLAMATION DISTRICT

Management Discussion and Analysis – Unaudited

Change in Net Assets

(In Millions)

	FY	FY	Increase (Decrease)	
	2018	2017	Amount	%
Operating revenues:				
User charges	\$ 34.0	\$ 32.0	\$ 2.0	6.3%
Collection charges and penalties	0.4	0.4	0.0	0.0%
Operating contributions from property owners and other governments	0.1	1.1	-1.0	0.0%
Other	1.7	1.0	0.7	70%
Total operating revenues	36.2	34.5	1.7	4.9%
Nonoperating revenues:				
Property taxes	5.0	4.9	0.1	2.0%
Replacement taxes	1.7	1.8	(0.1)	-5.6%
Investment income	0.2	0.2	-	0.0%
Other nonoperating revenues	0.3	0.3	-	0.0%
Total nonoperating revenues	7.2	7.2	(0.0)	0.0%
Total revenues	43.4	41.7	1.7	4.1%
Operating expenses:				
Operations	15.8	15.2	0.6	3.9%
Administration	5.1	4.8	0.3	6.3%
Depreciation	13.3	12.0	1.3	11%
Total operating expenses	34.2	32.0	2.2	6.9%
Nonoperating expenses –				
Bond issuance costs	0	0.2	(0.2)	0.0%
Interest expense	1.8	2.0	(0.2)	-10.0%
Total nonoperating expenses	1.8	2.2	(0.4)	-10.0%
Total expenses	36.0	34.2	1.8	-10.0%
Income before contributions	7.4	7.5	(0.1)	-1.3%
Capital contributions	0.2	0.1	0.1	-100%
Change in net assets	7.6	7.6	(0.0)	0%
Net position, beginning, as previously reported	302.7	295.1	7.6	2.6%
Restatement	-	-	-	-
Net position, beginning, as restated	302.7	295.1	7.6	2.6%
Net position, ending	\$ 310.3	\$ 302.7	\$ 7.6	2.5%

ROCKFORD RIVER WATER RECLAMATION DISTRICT
Management Discussion and Analysis – Unaudited

Non-operating revenues and expenses represent those revenues and expenses that are incidental to providing services or one-time revenues not correlated to user fees. In fiscal year 2018, non-operating revenues totaled \$7.2 million, which is the same amount as the prior year. The primary non-operating expense is interest expense on outstanding bond obligations.

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 acquisition value for contributed capital assets. The following table summarizes the capital asset activity of the District (in thousands).

Capital Assets
(Net of Depreciation, In Millions)

		<u>FY 2018</u>	<u>FY 2017</u>	<u>Increase</u>
Land	\$	5,820	5,710	110
Treatment plant		137,991	131,687	6,304
Sewers and lift stations		389,191	381,370	7,821
Machinery & equipment		21,423	19,851	1,572
Construction in progress		40,066	22,971	17,095
Sub-total		<u>594,491</u>	<u>561,589</u>	<u>32,902</u>
Accumulated depreciation		<u>229,076</u>	<u>216,375</u>	<u>12,701</u>
Net capital assets	\$	<u>365,415</u>	<u>345,214</u>	<u>20,201</u>

The capital assets are comprised primarily of the treatment facility located in Rockford, Illinois along the Rock River and transmission lines and lift stations. The primary treatment plant was completed in 1931 and a secondary treatment plant and additional treatment facilities were added in 1958. The plant has a design flow of 40 million gallons per day, with an average daily flow of 31.9 gallons and peak wet weather design flow capacity of 80 million gallons per day.

During fiscal year 2018 several projects, including Fuller Creek (sewer line to Village of Winnebago), Spring Creek Sanitary Sewer, and Gravity Belt Thickener Expansion were not completed and are reported as construction in progress. Various other projects were finished and contributed to the capital asset value increasing by \$32.9 million. More detailed information about the District's capital assets is presented in note 3 to the financial statements.

ROCKFORD RIVER WATER RECLAMATION DISTRICT
Management Discussion and Analysis – Unaudited

Long-Term Debt

At fiscal year-end the District had approximately \$91.0 million in long-term debt, including the current portion. The District made principal payments of \$4.6 million and borrowed an additional \$26.0 million in fiscal year 2018. Total debt increased by 30.7% compared to fiscal year 2017. IEPA Projects that result in additions to long-term debt include \$16.9 million for the Fuller Creek Phase 3 and \$5.6 million for the Spring Creek Sanitary Sewer. More detailed information about the District's long-term debt is presented in note 4 to the financial statements.

Long-Term Debt
(In Thousands)

		<u>FY 2018</u>	<u>FY 2017</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
IEPA Loans	\$	56,200	31,645	24,555	77.6%
Bonds Payable		34,410	37,420	(3,010)	-8.0%
Capital Lease		366	552	(186)	-33.7%
Total Long Term Debt	\$	90,976	69,617	21,359	30.7%

Economic Factors and Future Rates

The District's board considers many factors when setting the fiscal year 2019 and user rates and property tax levy. One of the factors is the local economy. While the District's population has declined in recent years, the unemployment rate in Winnebago County declined in 2017 to 6.3% as compared to 6.6% the prior year. In addition, taxable property valuations in 2017 increased 2.0%, following 1.2% growth in in 2016.

The District aims to operate and maintain its system efficiently and effectively, as well as fund necessary capital improvements. The fiscal year 2019 budget for operating and maintenance expenditures is \$22.9 million, a 5.3% increase from the prior year. The planned outlay for capital projects is \$22.3 million User charges are budgeted at \$34.2 million and increase approximately 6.3% for the average residential user. The 2017 (collected 2018) property tax levy is \$5.0 million, decreasing .02%, and the rate declines to \$0.2040 from the prior year's \$0.2080.

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.

BASIC FINANCIAL STATEMENTS

**ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS**

BALANCE SHEET

April 30, 2018

**ASSETS AND DEFERRED
OUTFLOWS OF RESOURCES**

CURRENT ASSETS

Cash and cash equivalents	\$ 17,960,808
Investments	6,165,849
Restricted assets	
Cash and cash equivalents	91,863
Investments	3,934,977
Receivables	
Billed user charges, net of allowance for uncollectible amounts of \$225,000	4,042,426
Property taxes	5,012,754
Other	8,090,902
Estimated unbilled user charges	6,851,882
Accrued interest income	76,418
Prepaid expenses	<u>474,062</u>
 Total current assets	 <u>52,701,941</u>

NONCURRENT ASSETS

Net pension asset	<u>176,545</u>
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CAPITAL ASSETS

Capital assets not being depreciated	45,886,324
Capital assets being depreciated, net	<u>319,528,929</u>
 Total capital assets	 <u>365,415,253</u>
 Total assets	 <u>418,293,739</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension items - IMRF	2,058,116
Unamortized loss on refunding	<u>133,401</u>
 Total deferred outflows of resources	 <u>2,191,517</u>

**TOTAL ASSETS AND DEFERRED
OUTFLOWS OF RESOURCES**

\$ 420,485,256

(This statement is continued on the following page.)

**ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS**

BALANCE SHEET (Continued)

April 30, 2018

**LIABILITIES, DEFERRED INFLOWS
OF RESOURCES, AND NET POSITION**

CURRENT LIABILITIES

Current portion of long-term debt	\$ 5,384,654
Accounts payable	5,702,408
Accrued expenses	
Salaries and wages	215,186
Pension contribution	39,070
Accrued interest	582,197
Other	87,567
	<hr/>
Total current liabilities	12,011,082

LONG-TERM LIABILITIES

Claims payable	50,000
Long-term debt, net of current maturities	88,650,673
	<hr/>
Total long-term liabilities	88,700,673
	<hr/>
Total liabilities	100,711,755

DEFERRED INFLOWS OF RESOURCES

Deferred revenue - property taxes	5,012,754
Pension items - IMRF	4,469,274
	<hr/>
Total deferred inflows of resources	9,482,028

NET POSITION

Net investment in capital assets	274,461,095
Restricted for	
Public benefit	3,539,437
Capital improvements	2,391,759
Debt service	4,026,840
Unrestricted	25,872,342
	<hr/>
Total net position	310,291,473

**TOTAL LIABILITIES, DEFERRED INFLOWS
OF RESOURCES, AND NET POSITION**

\$ 420,485,256

See accompanying notes to financial statements.

**ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS**

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION**

For the Year Ended April 30, 2018

OPERATING REVENUES

User charges	
Operation and maintenance	\$ 33,724,019
Inspection fees and other user charges	<u>257,550</u>
Total user charges	33,981,569
Collection charges and penalties	417,564
Operating contributions from property owners and other governments	104,797
Other	<u>1,686,141</u>
Total operating revenues	<u>36,190,071</u>

OPERATING EXPENSES

Operations	15,843,489
Administration	5,136,374
Depreciation	<u>13,279,911</u>
Total operating expenses	<u>34,259,774</u>

OPERATING INCOME	<u>1,930,297</u>
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NON-OPERATING REVENUES (EXPENSES)

Property taxes	4,976,974
Assessments	6,162
Illinois personal property replacement taxes	1,688,093
Grant revenue	181,001
Investment income	244,377
Gain on sale of asset	140,394
Interest expense	<u>(1,787,652)</u>
Total non-operating revenues (expenses)	<u>5,449,349</u>

INCOME BEFORE CAPITAL CONTRIBUTIONS	7,379,646
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Capital contributions	<u>161,535</u>
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CHANGE IN NET POSITION	7,541,181
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NET POSITION, MAY 1	<u>302,750,292</u>
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NET POSITION, APRIL 30	<u><u>\$ 310,291,473</u></u>
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See accompanying notes to financial statements.

**ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS**

STATEMENT OF CASH FLOWS

For the Year Ended April 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Received from customers	\$ 27,678,789
Paid to suppliers for goods and services	(10,589,697)
Paid to employees for services - including benefits	(11,849,143)

Net cash from operating activities	<u>5,239,949</u>
------------------------------------	------------------

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Tax proceeds received	6,462,329
Grant revenue	<u>181,001</u>

Net cash from noncapital financing activities	<u>6,643,330</u>
---	------------------

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES**

Proceeds on disposal of capital assets	140,394
Acquisition and construction of capital assets	(31,420,714)
Interest paid and fiscal charges	(1,808,228)
Proceeds from issuance of bonds and drawdowns on IEPA loans	25,879,073
Principal payments on Illinois EPA loans and bonds	(4,400,151)
Payments on capital lease obligation	<u>(186,143)</u>

Net cash from capital and related financing activities	<u>(11,795,769)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	207,361
Purchase of investments	(6,623,126)
Proceeds from sale of investments	<u>6,725,626</u>

Net cash from investing activities	<u>309,861</u>
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NET INCREASE IN CASH AND CASH EQUIVALENTS	397,371
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CASH AND CASH EQUIVALENTS, MAY 1	<u>17,655,300</u>
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CASH AND CASH EQUIVALENTS, APRIL 30	<u><u>\$ 18,052,671</u></u>
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Cash and cash equivalents	\$ 17,960,808
Restricted cash and cash equivalents	<u>91,863</u>

TOTAL CASH AND CASH EQUIVALENTS	<u><u>\$ 18,052,671</u></u>
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(This statement is continued on the following page.)

**ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS**

STATEMENT OF CASH FLOWS (Continued)

For the Year Ended April 30, 2018

RECONCILIATION OF OPERATING INCOME

TO NET CASH FLOWS FROM OPERATING ACTIVITIES

Operating income	\$ 1,930,297
Adjustments to reconcile operating income to net cash from operating activities	
Depreciation	13,279,911
Increase (decrease) in cash due to changes in assets and liabilities	
Receivables	
User charges	(1,248,532)
Other receivables	(7,262,750)
Prepaid expenses	(69,641)
Deferred outflows - pension items - IMRF	1,506,880
Deferred inflows - pension items - IMRF	4,417,554
Accounts payable	(1,934,775)
Accrued expenses and other liabilities	<u>(5,378,995)</u>

NET CASH FLOWS FROM OPERATING ACTIVITIES

\$ 5,239,949

NONCASH CAPITAL AND RELATED

FINANCING ACTIVITIES

Grant receivable	7,515,274
IEPA Loan Payable	(7,515,274)
Wastewater sewer extensions contributed by area developers and other governments	244,377
Cost of capital assets included in accounts payable	<u>3,679,828</u>

TOTAL NONCASH CAPITAL AND RELATED

FINANCING ACTIVITIES

\$ 3,924,205

See accompanying notes to financial statements.

**ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS**

NOTES TO FINANCIAL STATEMENTS

April 30, 2018

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

ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS
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. 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.

ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS
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 2017 tax levy are as follows:

	Limit Rate	2017 Rate
Corporate	0.1660	0.1554
Sewerage chlorination	0.0500	0.0339
Public benefit	0.0500	0.0147

ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS
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 2018 tax levy, which attached as an enforceable lien on property as of January 1, 2018, has not been recorded as a receivable as of April 30, 2018 as the tax has not yet been levied by the District and will not be levied until September 2018 and, therefore, the levy is not measurable at April 30, 2018.

h. User Charges

User charges are recognized as revenue when earned. As of April 30, 2018, there were approximately three months of earned but unbilled user charges due to billing practices of water districts that supply the District with consumption information.

i. Prepaid Expenses

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

j. Restricted Assets

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

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

Bond discounts, 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.

l. 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. Compensated absences start to vest for employees at the end of their orientation period.

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.

ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS
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 GAAP 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).

ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

The Illinois Public Treasurers' Investment Pool, known as The Illinois Funds, operates as a qualified external investment pool in accordance with the criteria established in GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, and thus, reports all investments at amortized cost rather than market value. The investment in The Illinois Funds by participants is also reported at amortized cost. The Illinois Funds does not have any limitations or restrictions on participant withdrawals. The Illinois Treasurer's Office issues a separate financial report for The Illinois Funds which may be obtained by contacting the Administrative Office at Illinois Business Center, 400 West Monroe Street, Suite 401, Springfield, Illinois 62704.

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

a. Deposits with Financial Institutions

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

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.

ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

b. Investments (Continued)

The following are the District's investment in debt securities as of April 30, 2018:

Investment Type	Investment Maturities (in Years)				
	Fair Value	Less than 1	1-5	6-10	Greater than 10
U.S. agencies	\$ 1,264,666	\$ -	\$ 1,264,666	\$ -	\$ -
Negotiable certificates of deposit	8,836,160	7,145,077	1,691,083	-	-
TOTAL	\$ 10,100,826	\$ 7,145,077	\$ 2,955,749	\$ -	\$ -

The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. 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, 2018: the U.S. agency obligations and the negotiable certificates of deposit are valued using quoted matrix pricing models (Level 2 inputs).

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 AAAM 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.

ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

3. CAPITAL ASSETS

Capital assets activity for the year ended April 30, 2018 was as follows:

	Balances May 1	Additions	Deletions	Transfers	Balances April 30
Capital assets not being depreciated					
Land	\$ 5,709,935	\$ 110,340	\$ -	\$ -	\$ 5,820,275
Construction in progress	22,970,788	28,940,257	-	(11,844,996)	40,066,049
Total capital assets not being depreciated	28,680,723	29,050,597	-	(11,844,996)	45,886,324
Capital assets being depreciated					
Treatment plant	131,686,957	95,184	-	6,208,631	137,990,772
Sewers and lift stations	381,370,201	2,341,578	-	5,479,622	389,191,401
Machinery and equipment	19,850,883	1,994,118	(579,189)	156,743	21,422,555
Total capital assets being depreciated	532,908,041	4,430,880	(579,189)	11,844,996	548,604,728
Less accumulated depreciation					
Treatment plant	63,240,797	4,460,954	-	-	67,701,751
Sewers and lift stations	138,682,371	7,401,651	-	-	146,084,022
Machinery and equipment	14,451,909	1,417,306	(579,189)	-	15,290,026
Total accumulated depreciation	216,375,077	13,279,911	(579,189)	-	229,075,799
Net capital assets being depreciated	316,532,964	(8,849,031)	-	11,844,996	319,528,929
TOTAL CAPITAL ASSETS, NET	\$ 345,213,687	\$ 20,201,566	\$ -	\$ -	\$ 365,415,253

For the year ended April 30, 2018, the District capitalized interest costs of \$66,475.

4. LONG-TERM LIABILITIES

The District's long-term liabilities outstanding consisted of the following at April 30, 2018:

	Balances May 1	Additions	Deletions	Balances April 30	Due Within One Year
Illinois IEPA loans					
Sewer Lining Project	\$ 724,727	\$ -	\$ (62,024)	\$ 662,703	\$ 63,584
McDonald Creek Project	1,191,010	-	(101,067)	1,089,943	103,609
Clarifier/Voltage Switches Project	276,670	-	(24,822)	251,848	25,447
Rock River East Project	1,273,112	-	(94,305)	1,178,807	94,305
Point Repair/Lining Project	1,753,182	-	(115,339)	1,637,843	116,785
Fuller Creek Project	11,957,990	-	(545,255)	11,412,735	555,829
Main Line Repairs/Lining Project	1,961,195	-	(95,198)	1,865,997	97,044
Excess Flow	5,882,293	-	(252,199)	5,630,094	257,803
Sewer Lining	2,331,039	-	(99,942)	2,231,097	102,162
Fuller Creek Phase 3	744,405	16,914,418	-	17,658,823	-
Spring Creek Sanitary Sewer	3,548,899	5,649,648	-	9,198,547	-
Sanitary Sewer	-	3,381,483	-	3,381,483	-
Total Illinois IEPA loans	31,644,522	25,945,549	(1,390,151)	56,199,920	1,416,568

ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

4. LONG-TERM LIABILITIES (Continued)

	Balances May 1	Additions	Deletions	Balances April 30	Due Within One Year
Capital lease payable	\$ 552,431	\$ -	\$ (186,143)	\$ 366,288	\$ 161,057
Bonds payable					
General Obligation Alternate Bonds, Series 2007	325,000	-	(235,000)	90,000	90,000
General Obligation Alternate Bonds, Series 2008	920,000	-	(450,000)	470,000	470,000
General Obligation Alternate Bonds, Series 2009	4,100,000	-	(275,000)	3,825,000	285,000
General Obligation Alternate Bonds, Series 2010B	6,645,000	-	(400,000)	6,245,000	425,000
General Obligation Alternate Bonds, Series 2013A	8,105,000	-	(1,285,000)	6,820,000	1,310,000
General Obligation Alternate Bonds, Series 2014	8,185,000	-	(365,000)	7,820,000	370,000
General Obligation Alternate Bonds, Series 2017	9,140,000	-	-	9,140,000	215,000
Total bonds payable	37,420,000	-	(3,010,000)	34,410,000	3,165,000
Bond premium (discounts)	1,130,937	3,298	(105,729)	1,028,506	102,431
Net OPEB obligation	275,392	6,879	-	282,271	-
Compensated absences	1,690,421	1,748,344	(1,690,421)	1,748,344	539,598
Net pension liability	5,328,728	-	(5,328,728)	-	-
Claims payable	500,000	-	(450,000)	50,000	-
TOTAL	\$ 78,542,431	\$ 27,704,070	\$ (12,161,172)	\$ 94,085,329	\$ 5,384,654

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

Year Ending April 30,	Illinois EPA Loans		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2019	\$ 1,416,568	\$ 493,924	\$ 3,165,000	\$ 1,287,758
2020	1,443,540	466,953	3,255,000	1,196,432
2021	1,471,074	439,419	3,350,000	1,107,205
2022	1,499,184	411,308	3,430,000	1,012,142
2023	1,527,882	382,611	3,515,000	908,005
2024-2028	7,936,071	1,461,563	11,705,000	3,049,178
2029-2033	7,093,812	741,322	5,320,000	781,787
2034-2035	3,572,936	113,322	670,000	33,500
TOTAL	\$ 25,961,067	\$ 4,510,422	\$ 34,410,000	\$ 9,376,007

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 Fuller Creek Phase 3, Spring Creek Sanitary Sewer, and Sanitary Sewer loans.

ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS
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:

<u>Year Ending</u> <u>April 30,</u>	
2019	\$ 169,314
2020	78,017
2021	78,017
2022	<u>58,513</u>
Total minimum lease payments	383,861
Amount representing interest	<u>(17,573)</u>
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	<u>\$ 366,288</u>

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, 2018, the outstanding balance on the loan was \$662,703.

The District paid principal and interest payments totaling \$79,756 during fiscal year 2018. The final repayment of the loan is due September 2027. Interest is at a rate of 2.50%.

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, 2018, the outstanding balance on the loan was \$1,089,943.

ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

4. LONG-TERM LIABILITIES (Continued)

a. Illinois EPA Loans (Continued)

McDonald Creek (Continued)

The District paid principal and interest payments totaling \$130,215 during fiscal year 2018. The final repayment of the loan is due September 2027. Interest is at a rate of 2.50%.

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, 2018, the outstanding balance on the loan was \$251,848.

The District paid principal and interest payments totaling \$31,585 during fiscal year 2018. The final repayment of the loan is due April 2027. Interest is at a rate of 2.50%.

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 2018. 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, 2018, the outstanding balance on the loan was \$1,178,807.

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, 2018, the outstanding balance on the loan was \$1,637,843.

The District paid principal and interest payments totaling \$136,894 during fiscal year 2018. The final repayment of the loan is due February 2031. Interest is at a rate of 1.25%.

ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

4. LONG-TERM LIABILITIES (Continued)

a. Illinois EPA Loans (Continued)

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, 2018, the outstanding balance on the loan was \$11,412,735. The District paid interest payments totaling \$773,426 during fiscal year 2018.

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, 2018, the outstanding balance on the loan was \$1,865,997. The District paid principal and interest payments totaling \$132,592 during fiscal year 2018.

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, 2018, the outstanding balance on the loan was \$5,630,094. The District paid principal and interest payments totaling \$380,812 during fiscal year 2018.

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, 2018, the outstanding balance on the loan was \$2,231,097. The District paid principal and interest payments totaling \$150,908 during fiscal year 2018.

ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

4. LONG-TERM LIABILITIES (Continued)

a. Illinois EPA Loans (Continued)

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 recorded \$16,914,418 in principal draws under this agreement during the year ended April 30, 2018. The Fuller Creek Phase 3 project is still in the construction phase and, therefore, no repayment schedule has been determined as of April 30, 2018.

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 recorded \$5,583,173 in principal draws under this agreement during the year ended April 30, 2018. Additionally, there was \$66,475 of capitalized interest for the year ended April 30, 2018. No repayment schedule has been determined as of April 30, 2018.

Sanitary Sewer

The District entered into a water revolving fund loan agreement with the IEPA in fiscal year 2018 for improvement of the District sanitary sewers. The loan calls for semiannual principal and interest payments through maturity at April 2038, and bears interest at 1.75%. The total amount of loan disbursements to be made to the District under this agreement is \$3,819,534. The District recorded \$3,381,483 in principal draws under this agreement during the year ended April 30, 2018. The Sanitary Sewer project is still in the construction phase and, therefore, no repayment schedule has been determined as of April 30, 2018.

b. Capital Lease Payable

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.

ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

4. LONG-TERM LIABILITIES (Continued)

b. Capital Lease Payable (Continued)

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.

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 the bonds after refunding was \$325,000, which 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 4.00% to 5.40% 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 the bonds after refunding was \$920,000, which 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.

ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

4. LONG-TERM LIABILITIES (Continued)

c. General Obligation Alternate Bonds (Continued)

Series 2009

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

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

Series 2010B

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

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

Series 2013A

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

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

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.

ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS
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.

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 were 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, 2018 is as follows:

Debt Issue	Pledged Revenue Source	Pledge Remaining	Commitment End Date
2007	Revenues of the system	\$ 93,600	12/15/2027
2008	Revenues of the system	490,563	12/15/2028
2009	Revenues of the system	4,958,313	12/15/2028
2010B	Revenues of the system	8,785,145	12/15/2029
2013A	Revenues of the system	7,284,100	12/15/2022
2014	Revenues of the system	11,247,900	12/15/2033
2017	Revenues of the system	10,926,388	12/15/2028

ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

4. LONG-TERM LIABILITIES (Continued)

c. General Obligation Alternate Bonds (Continued)

A comparison of the pledged revenues collected and the related principal and interest expenditure for fiscal year 2018 is as follows:

Debt Issue	Pledged Revenue Source	Pledged Revenue Collected	Principal and Interest Paid	Commitment End Date
2007	Revenues of the system	\$ 17,292,095	\$ 251,290	12/15/2027
2008	Revenues of the system	17,292,095	489,688	12/15/2028
2009	Revenues of the system	17,292,095	448,775	12/15/2028
2010B	Revenues of the system	17,292,095	760,270	12/15/2029
2013A	Revenues of the system	17,292,095	1,457,675	12/15/2022
2014	Revenues of the system	17,292,095	703,250	12/15/2033
2017	Revenues of the system	17,292,095	174,776	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, 2018.

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.

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.

ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

5. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (Continued)

Plan Administration (Continued)

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, 2017, IMRF membership consisted of:

Inactive employees or their beneficiaries	
currently receiving benefits	130
Inactive employees entitled to but not yet receiving benefits	23
Active employees	115
	<hr/>
TOTAL	268
	<hr/>

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.

ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

5. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (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, 2017 and December 31, 2018 were 10.43% and 10.75%, 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, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of the same date using the following actuarial methods and assumptions.

Actuarial valuation date	December 31, 2017
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.75%
Salary increases	3.75% to 14.50%
Interest rate	7.50%
Cost of living adjustment	3.00%
Asset valuation method	Market Value

For nondisabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 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.

ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

5. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. 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 (Asset)

	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a) - (b) Net Pension (Asset) Liability
BALANCES AT JANUARY 1, 2017	\$ 61,150,696	\$ 55,821,968	\$ 5,328,728
Changes for the period			
Service cost	874,280	-	874,280
Interest	4,494,054	-	4,494,054
Difference between expected and actual experience	1,598,197	-	1,598,197
Changes in assumptions	(1,887,215)	-	(1,887,215)
Employer contributions	-	1,018,170	(1,018,170)
Employee contributions	-	402,935	(402,935)
Net investment income	-	9,945,965	(9,945,965)
Benefit payments and refunds	(3,334,241)	(3,334,241)	-
Administrative expense	-	-	-
Other (net transfer)	-	(782,481)	782,481
Net changes	1,745,075	7,250,348	(5,505,273)
BALANCES AT DECEMBER 31, 2017	\$ 62,895,771	\$ 63,072,316	\$ (176,545)

There was a change in assumptions with respect to the inflation rates, salary rates, and mortality since the prior measurement date.

ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

5. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (Continued)

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

For the year ended April 30, 2018, the District recognized pension expense of \$1,457,785. At April 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to IMRF from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflow of Resources
Difference between expected and actual experience	\$ 1,688,125	\$ -	\$ 1,688,125
Changes in assumption	19,922	1,491,510	(1,471,588)
Net difference between projected and actual earnings on pension plan investments	-	2,977,764	(2,977,764)
Contributions subsequent to the measurement date	350,069	-	350,069
TOTAL	\$ 2,058,116	\$ 4,469,274	\$ (2,411,158)

\$350,069 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 ending April 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to IMRF will be recognized in pension expense as follows:

<u>Year Ending April 30,</u>	
2019	\$ (186,717)
2020	(243,889)
2021	(1,133,896)
2022	(1,196,725)
TOTAL	\$ (2,761,227)

ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

5. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (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 7.50% 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 (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability (asset)	\$ 6,975,518	\$ (176,545)	\$ (6,171,025)

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.

ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

6. OTHER POSTEMPLOYMENT BENEFITS (Continued)

c. Membership

At April 30, 2018, membership consisted of:

Retirees and beneficiaries currently receiving benefits	16
Active vested and nonvested plan members	114
	<hr/>
TOTAL	130
	<hr/>
Participating employers	1
	<hr/>

d. Funding Status

For the fiscal year ended April 30, 2018, the District contributed \$224,950. 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 2018, 2017, and 2016 was as follows:

For Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of APC Contributed	Net OPEB Obligation
2018	\$ 231,829	\$ 224,950	97.03%	\$ 282,271
2017	159,384	145,854	91.51%	275,392
2016	159,294	145,854	91.56%	261,862

The net OPEB obligation as of April 30, 2018, was calculated as follows:

Annual required contribution	\$ 230,649
Interest on net OPEB obligation	11,016
Adjustment to annual required contribution	(9,836)
	<hr/>
Annual OPEB cost	231,829
Contributions made	224,950
	<hr/>
Increase in net OPEB obligation	6,879
Net OPEB obligation, beginning of year	275,392
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NET OPEB OBLIGATION, END OF YEAR	\$ 282,271
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ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS
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, 2018 was as follows:

Actuarial accrued liability (AAL)	\$ 2,346,135
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	2,346,135
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 8,687,669
UAAL as a percentage of covered payroll	27.01%

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 is 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.

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.

In the April 30, 2018 actuarial valuation, the entry-age actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses) and an initial healthcare cost trend rate of 7.50% reducing to an ultimate rate of 4% after eight years. Both rates include a 3% 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, 2018 was 30 years.

ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

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, 2018 totaled approximately \$6,376,301.

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 \$1,580,331 with a limit of \$1,000,000. No claims have reached this limit.

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

	2018	2017
UNPAID CLAIMS, MAY 1	\$ 500,000	\$ 829,873
Incurred claims (including IBNR's)*	(322,324)	(77,833)
Claim payments	(127,676)	(252,040)
UNPAID CLAIMS, APRIL 30	<u>\$ 50,000</u>	<u>\$ 500,000</u>

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 and 2018 show as a negative figure above due to a decrease in estimated unpaid claims by the District's claims administrator.

ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. SUBSEQUENT EVENT

On June 25, 2018, the District authorized the issuance of not to exceed \$3,650,000 General Obligation Refunding Alternate Revenue Bonds, Series 2018, for the purpose of refunding a portion of the District's Series 2009 General Obligation Alternate Revenue Bonds.

REQUIRED SUPPLEMENTARY INFORMATION

**ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS**

**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)
2018	\$ -	\$ 2,346,135	\$ 2,346,135	0.00%	\$ 8,687,669	27.01%
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

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

(See independent auditor's report.)

**ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND**

Last Three Fiscal Years

FISCAL YEAR ENDED APRIL 30,	2018	2017	2016
Actuarially determined contribution	\$ 959,287	\$ 903,898	\$ 873,398
Contributions in relation to the actuarially determined contribution	959,287	903,898	873,398
CONTRIBUTION DEFICIENCY (Excess)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 9,127,736	\$ 8,363,961	\$ 7,634,596
Contributions as a percentage of covered-employee payroll	10.51%	10.81%	11.44%

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 26 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.

(See independent auditor's report.)

**ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

Last Six Fiscal Years

Fiscal Year	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2018	\$ 224,950	\$ 230,649	97.53%
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%

(See independent auditor's report.)

**ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS**

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

Last Three Fiscal Years

MEASUREMENT DATE DECEMBER 31,	2017	2016	2015
TOTAL PENSION LIABILITY			
Service cost	\$ 874,280	\$ 828,881	\$ 816,520
Interest	4,494,054	4,294,310	4,120,053
Changes of benefit terms	-	-	-
Differences between expected and actual experience	1,598,197	690,650	292,148
Changes of assumptions	(1,887,215)	(67,574)	65,513
Benefit payments, including refunds of member contributions	(3,334,241)	(3,030,078)	(2,771,003)
Net change in total pension liability	1,745,075	2,716,189	2,523,231
Total pension liability - beginning	61,150,696	58,434,507	55,911,276
TOTAL PENSION LIABILITY - ENDING	\$ 62,895,771	\$ 61,150,696	\$ 58,434,507
PLAN FIDUCIARY NET POSITION			
Contributions - employer	\$ 1,018,170	\$ 959,118	\$ 873,398
Contributions - member	402,935	366,170	346,821
Net investment income	9,945,965	3,638,819	269,400
Benefit payments, including refunds of member contributions	(3,334,241)	(3,030,078)	(2,771,003)
Other (net transfer)	(782,481)	242,688	271,228
Net change in plan fiduciary net position	7,250,348	2,176,717	(1,010,156)
Plan fiduciary net position - beginning	55,821,968	53,645,251	54,655,407
PLAN FIDUCIARY NET POSITION - ENDING	\$ 63,072,316	\$ 55,821,968	\$ 53,645,251
EMPLOYER'S NET PENSION LIABILITY (ASSET)	\$ (176,545)	\$ 5,328,728	\$ 4,789,256
Plan fiduciary net position as a percentage of the total pension liability	100.28%	91.29%	91.80%
Covered-employee payroll	\$ 8,830,460	\$ 8,137,119	\$ 7,634,596
Employer's net pension liability (asset) as a percentage of covered-employee payroll	(2.00%)	65.49%	62.73%

Notes to Required Supplementary

Changes in assumptions related to the discount rate were made in 2015 and 2016.

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.

Changes in assumptions related to inflation rates, salary rates and mortality were made in 2017.

(See independent auditor's report.)

SUPPLEMENTAL SCHEDULES

**ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS**

COMBINING BALANCE SHEET

April 30, 2018

	General Operations	Public Benefit	Special Assessments	Eliminations	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
CURRENT ASSETS					
Cash and cash equivalents	\$ 14,441,638	\$ 2,269,569	\$ 1,249,601	\$ -	\$ 17,960,808
Investments	4,196,806	1,269,868	699,175	-	6,165,849
Restricted assets					
Cash and cash equivalents	91,863	-	-	-	91,863
Investments	3,934,977	-	-	-	3,934,977
Receivables					
Billed user charges (net of allowance for uncollectible amounts of \$225,000)	4,042,426	-	-	-	4,042,426
Property taxes	4,651,969	360,785	-	-	5,012,754
Other	7,606,200	-	484,702	-	8,090,902
Due from special assessments	41,719	-	-	(41,719)	-
Estimated unbilled user charges	6,851,882	-	-	-	6,851,882
Accrued interest income	76,418	-	-	-	76,418
Prepaid expenses	474,062	-	-	-	474,062
Net pension asset	176,545	-	-	-	176,545
 Total current assets	 46,586,505	 3,900,222	 2,433,478	 (41,719)	 52,878,486
Capital assets not being depreciated	45,877,118	-	9,206	-	45,886,324
Capital assets being depreciated, net	319,528,929	-	-	-	319,528,929
 Total capital assets	 365,406,047	 -	 9,206	 -	 365,415,253
 Total assets	 411,992,552	 3,900,222	 2,442,684	 (41,719)	 418,293,739
DEFERRED OUTFLOWS OF RESOURCES					
Pension items - IMRF	2,058,116	-	-	-	2,058,116
Unamortized loss on refunding	133,401	-	-	-	133,401
 Total deferred outflows of resources	 2,191,517	 -	 -	 -	 2,191,517
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 \$ 414,184,069	 \$ 3,900,222	 \$ 2,442,684	 \$ (41,719)	 \$ 420,485,256

(This statement is continued on the following page.)

**ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS**

COMBINING BALANCE SHEET (Continued)

April 30, 2018

	General Operations	Public Benefit	Special Assessments	Eliminations	Total
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION					
CURRENT LIABILITIES					
Current portion of long-term debt	\$ 5,384,654	\$ -	\$ -	\$ -	\$ 5,384,654
Accounts payable	5,702,408	-	-	-	5,702,408
Accrued expenses					
Salaries and wages	215,186	-	-	-	215,186
Pension contribution	39,070	-	-	-	39,070
Accrued interest	582,197	-	-	-	582,197
Other	87,567	-	-	-	87,567
Due to general operations	-	-	41,719	(41,719)	-
Total current liabilities	12,011,082	-	41,719	(41,719)	12,011,082
LONG-TERM LIABILITIES					
Claims payable	50,000	-	-	-	50,000
Long-term debt, net of current maturities	88,650,673	-	-	-	88,650,673
Total long-term liabilities	88,700,673	-	-	-	88,700,673
Total liabilities	100,711,755	-	41,719	(41,719)	100,711,755
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue - property taxes	4,651,969	360,785	-	-	5,012,754
Pension items - IMRF	4,469,274	-	-	-	4,469,274
Total deferred inflows of resources	9,121,243	360,785	-	-	9,482,028
NET POSITION					
Net investment in capital assets	274,451,889	-	9,206	-	274,461,095
Restricted for					
Public benefit	-	3,539,437	-	-	3,539,437
Capital improvements	-	-	2,391,759	-	2,391,759
Debt service	4,026,840	-	-	-	4,026,840
Unrestricted	25,872,342	-	-	-	25,872,342
Total net position	304,351,071	3,539,437	2,400,965	-	310,291,473
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION					
	\$ 414,184,069	\$ 3,900,222	\$ 2,442,684	\$ (41,719)	\$ 420,485,256

(See independent auditor's report.)

**ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS**

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

For the Year Ended April 30, 2018

	General Operations	Public Benefit	Special Assessments	Eliminations	Total
OPERATING REVENUES					
User charges					
Operation and maintenance	\$ 33,724,019	\$ -	\$ -	\$ -	\$ 33,724,019
Inspection fees and other user charges	257,550	-	-	-	257,550
Total user charges	33,981,569	-	-	-	33,981,569
Collection charges and penalties	417,564	-	-	-	417,564
Operating contributions from property owners and other governments	83,385	-	21,412	-	104,797
Other	1,686,141	-	-	-	1,686,141
Total operating revenues	36,168,659	-	21,412	-	36,190,071
OPERATING EXPENSES					
Operations	15,843,489	-	-	-	15,843,489
Administration	5,095,675	-	40,699	-	5,136,374
Depreciation	13,279,911	-	-	-	13,279,911
Total operating expenses	34,219,075	-	40,699	-	34,259,774
OPERATING INCOME (LOSS)	1,949,584	-	(19,287)	-	1,930,297
NON-OPERATING REVENUES (EXPENSES)					
Property taxes	4,507,235	469,739	-	-	4,976,974
Assessments	6,162	-	-	-	6,162
Illinois personal property replacement taxes	1,688,093	-	-	-	1,688,093
Grant revenue	181,001	-	-	-	181,001
Investment income	174,423	23,471	46,483	-	244,377
Gain on sale of asset	140,394	-	-	-	140,394
Bond issuance costs	-	-	-	-	-
Interest expense	(1,787,652)	-	-	-	(1,787,652)
Total non-operating revenues (expenses)	4,909,656	493,210	46,483	-	5,449,349
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	6,859,240	493,210	27,196	-	7,379,646
Capital contributions	161,535	-	-	-	161,535
Transfers in	774,951	62,962	204,511	(1,042,424)	-
Transfers (out)	-	(204,511)	(837,913)	1,042,424	-
CHANGE IN NET POSITION	7,795,726	351,661	(606,206)	-	7,541,181
NET POSITION, MAY 1	296,555,345	3,187,776	3,007,171	-	302,750,292
NET POSITION, APRIL 30	\$ 304,351,071	\$ 3,539,437	\$ 2,400,965	\$ -	\$ 310,291,473

(See independent auditor's report.)

**ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS**

SCHEDULE OF CAPITAL ASSETS

For the Year Ended April 30, 2018

	Capital Assets					Accumulated Depreciation			
	April 30, 2017	Additions	Retirements	Transfers	April 30, 2018	April 30, 2017	Current	Retirements	April 30, 2018
							Year Depreciation		
TREATMENT PLANT									
Land	\$ 5,709,935	\$ 110,340	\$ -	\$ -	\$ 5,820,275	\$ -	\$ -	\$ -	\$ -
Buildings	18,608,135	-	-	-	18,608,135	6,698,952	543,726	-	7,242,678
Improvements	8,920,372	69,982	-	1,553,046	10,543,400	2,803,428	550,085	-	3,353,513
Aeration	26,684,996	-	-	-	26,684,996	19,625,305	711,553	-	20,336,858
Vacuum filter and incineration	16,198,042	-	-	-	16,198,042	11,716,252	263,635	-	11,979,887
Pumping equipment	13,677,629	-	-	4,438,433	18,116,062	4,735,119	724,689	-	5,459,808
Grit and sludge equipment	2,272,700	-	-	61,099	2,333,799	1,555,165	48,588	-	1,603,753
Primary settling equipment	4,025,730	-	-	-	4,025,730	3,320,002	109,570	-	3,429,572
Chlorination equipment	870,249	-	-	-	870,249	758,284	13,099	-	771,383
Biosolids	26,349,195	-	-	18,401	26,367,596	6,984,189	590,852	-	7,575,041
Miscellaneous equipment	642,631	25,202	-	137,652	805,485	641,350	320	-	641,670
Cogeneration	11,830,488	-	-	-	11,830,488	3,183,316	788,695	-	3,972,011
Engineering and other studies	1,606,790	-	-	-	1,606,790	1,219,435	116,142	-	1,335,577
Total treatment plant	137,396,892	205,524	-	6,208,631	143,811,047	63,240,797	4,460,954	-	67,701,751
SEWER AND LIFT STATIONS	381,370,201	2,341,578	-	5,479,622	389,191,401	138,682,371	7,401,651	-	146,084,022
MACHINERY AND EQUIPMENT									
Trucks and automobiles	9,990,204	1,596,986	529,200	-	11,057,990	7,569,758	805,133	529,200	7,845,691
Engineering equipment	179,084	-	-	-	179,084	179,084	-	-	179,084
Chemistry equipment	669,924	-	-	8,209	678,133	536,093	45,286	-	581,379
Supporting services equipment	652,862	-	-	-	652,862	624,481	12,891	-	637,372
Sewer maintenance equipment	3,034	-	-	-	3,034	3,035	-	-	3,035
Maintenance equipment	459,422	-	49,989	-	409,433	283,268	40,601	49,989	273,880
Office equipment	12,813	-	-	-	12,813	10,413	2,403	-	12,816
Computer hardware and software	7,883,540	397,132	-	148,534	8,429,206	5,245,777	510,992	-	5,756,769
Total machinery and equipment	19,850,883	1,994,118	579,189	156,743	21,422,555	14,451,909	1,417,306	579,189	15,290,026
CONSTRUCTION IN PROGRESS									
Special assessments	487,681	296,477	-	(774,951)	9,207	-	-	-	-
General operations	22,483,107	28,643,780	-	(11,070,045)	40,056,842	-	-	-	-
Total construction in progress	22,970,788	28,940,257	-	(11,844,996)	40,066,049	-	-	-	-
TOTAL CAPITAL ASSETS	\$ 561,588,764	\$ 33,481,477	\$ 579,189	\$ -	\$ 594,491,052	\$ 216,375,077	\$ 13,279,911	\$ 579,189	\$ 229,075,799

(See independent auditor's report.)

**ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS**

**SCHEDULE OF DEPARTMENTAL EXPENSES
GENERAL OPERATING SUBFUND**

For the Year Ended April 30, 2018

	Budget	Actual	Over (Under)
ADMINISTRATION			
General			
Personnel	\$ 736,787	\$ 794,741	\$ 57,954
Operating cost	23,700	17,999	(5,701)
Contractual	804,107	447,675	(356,432)
Total general	1,564,594	1,260,415	(304,179)
Billing and collection			
Personnel	886,439	962,746	76,307
Operating cost	57,800	62,684	4,884
Contractual	438,235	332,759	(105,476)
Total billing and collection	1,382,474	1,358,189	(24,285)
Information processing			
Personnel	1,070,946	995,229	(75,717)
Operating cost	190,920	237,025	46,105
Contractual	1,280,930	1,184,289	(96,641)
Repair and maintenance	5,000	2,444	(2,556)
Transfers	(197,757)	(240,703)	(42,946)
Total information processing	2,350,039	2,178,284	(171,755)
Legal			
Personnel	300,152	282,509	(17,643)
Operating cost	-	902	902
Contractual	-	15,376	15,376
Total legal	300,152	298,787	(1,365)
Total administration	5,597,259	5,095,675	(501,584)
ENGINEERING			
Personnel	2,647,837	2,518,970	(128,867)
Operating cost	17,650	6,681	(10,969)
Contractual	48,745	30,690	(18,055)
Repairs and maintenance	2,600	480	(2,120)
Transfers	(678,134)	(909,108)	(230,974)
Total engineering	2,038,698	1,647,713	(390,985)
PLANT OPERATIONS CONTROL			
General			
Personnel	187,804	186,854	(950)
Operating cost	46,374	48,005	1,631
Contractual	5,180	4,967	(213)
Total general	239,358	239,826	468

(This schedule is continued on the following pages.)

**ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS**

SCHEDULE OF DEPARTMENTAL EXPENSES (Continued)
GENERAL OPERATING SUBFUND

For the Year Ended April 30, 2018

	Budget	Actual	Over (Under)
PLANT OPERATIONS CONTROL (Continued)			
Chemistry			
Personnel	\$ 504,742	\$ 475,111	\$ (29,631)
Operating cost	162,300	131,923	(30,377)
Contractual	116,990	128,092	11,102
Repair and maintenance	10,000	16,184	6,184
Total chemistry	794,032	751,310	(42,722)
Water surveillance			
Personnel	660,691	636,804	(23,887)
Operating cost	11,150	13,496	2,346
Contractual	5,870	28,790	22,920
Repair and maintenance	4,000	255	(3,745)
Total water surveillance	681,711	679,345	(2,366)
Total plant operations control	1,715,101	1,670,481	(44,620)
SUPPORTING SERVICES			
General			
Personnel	854,983	940,426	85,443
Operating cost	1,000	350	(650)
Contractual	3,350	527	(2,823)
Total general	859,333	941,303	81,970
Building and grounds			
Personnel	150,625	111,212	(39,413)
Operating cost	111,000	98,219	(12,781)
Contractual	356,500	355,521	(979)
Repair and maintenance	135,000	214,665	79,665
Total building and grounds	753,125	779,617	26,492
Sewer and lift stations			
Personnel	2,870,933	2,477,567	(393,366)
Operating cost	273,000	181,686	(91,314)
Contractual	146,000	75,143	(70,857)
Repair and maintenance	1,010,000	1,405,826	395,826
Total sewer and lift stations	4,299,933	4,140,222	(159,711)

(This schedule is continued on the following pages.)

**ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS**

SCHEDULE OF DEPARTMENTAL EXPENSES (Continued)
GENERAL OPERATING SUBFUND

For the Year Ended April 30, 2018

	Budget	Actual	Over (Under)
SUPPORTING SERVICES (Continued)			
Trucks and automobiles			
Personnel	\$ 460,579	\$ 433,919	\$ (26,660)
Operating cost	492,700	350,827	(141,873)
Contractual	60,200	41,740	(18,460)
Repair and maintenance	280,000	258,511	(21,489)
Total trucks and automobiles	1,293,479	1,084,997	(208,482)
Total supporting services	7,205,870	6,946,139	(259,731)
WASTEWATER TREATMENT			
General			
Personnel	1,681,835	1,485,149	(196,686)
Operating cost	13,500	26,661	13,161
Contractual	5,300	29,292	23,992
Real estate taxes	23,800	21,553	(2,247)
Transfers	(95,660)	(102,028)	(6,368)
Total general	1,628,775	1,460,627	(168,148)
Pumping station			
Operating cost	187,007	207,288	20,281
Contractual	401,740	354,228	(47,512)
Repair and maintenance	31,000	66,236	35,236
Total pumping station	619,747	627,752	8,005
Grit and sludge removal			
Operating cost	1,900	-	(1,900)
Contractual	86,700	66,868	(19,832)
Repair and maintenance	18,000	14,273	(3,727)
Total grit and sludge removal	106,600	81,141	(25,459)
Vacuum filter and solids disposal			
Operating cost	320,500	496,234	175,734
Contractual	444,000	487,175	43,175
Repair and maintenance	92,000	135,884	43,884
Agricultural land	27,880	22,503	(5,377)
Total vacuum filter and solids disposal	884,380	1,141,796	257,416

(This schedule is continued on the following page.)

**ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS**

SCHEDULE OF DEPARTMENTAL EXPENSES (Continued)
GENERAL OPERATING SUBFUND

For the Year Ended April 30, 2018

	Budget	Actual	Over (Under)
WASTEWATER TREATMENT (Continued)			
Aeration			
Operating cost	\$ 16,000	\$ 18,979	\$ 2,979
Contractual	321,800	189,569	(132,231)
Repair and maintenance	55,000	33,011	(21,989)
Total aeration	392,800	241,559	(151,241)
Maintenance			
Personnel	1,008,440	1,178,354	169,914
Operating cost	114,050	155,222	41,172
Contractual	142,860	144,669	1,809
Repair and maintenance	345,000	483,234	138,234
Total maintenance	1,610,350	1,961,479	351,129
Total wastewater treatment	5,242,652	5,514,354	271,702
TOTAL DEPARTMENT EXPENSES	<u>\$ 21,799,580</u>	<u>\$ 20,874,362</u>	<u>\$ (925,218)</u>
SUMMARY			
Personnel	\$ 13,146,902	\$ 12,329,780	\$ (817,122)
Operating cost	1,944,891	1,952,153	7,262
Contractual	4,668,507	3,917,370	(751,137)
Repair and maintenance	1,987,600	2,631,003	643,403
Agricultural land	27,880	22,503	(5,377)
Real estate taxes	23,800	21,553	(2,247)
Allocated departmental	21,799,580	20,874,362	(925,218)
Vacation and sick pay adjustments not allocated to departments	-	57,923	57,923
OPEB expense	-	6,879	6,879
TOTAL DEPARTMENTAL EXPENSES	<u>\$ 21,799,580</u>	<u>\$ 20,939,164</u>	<u>\$ (860,416)</u>
Operations		\$ 15,843,489	
Administration		5,095,675	
TOTAL DEPARTMENTAL EXPENSES		<u>\$ 20,939,164</u>	

(See independent auditor's report.)

STATISTICAL SECTION (Unaudited)

This part of the Rock River Water Reclamation District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

<u>Contents</u>	<u>Page(s)</u>
Financial Trends These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	46-51
Revenue Capacity These schedules contain information to help the reader assess the District's most significant local revenue source, water reclamation charges.	52-56
Debt Capacity These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	57-60
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	61-68
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	69-70

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS**

NET POSITION BY COMPONENT

Last Ten Fiscal Years

Fiscal Year	2009	2010	2011	2012
ASSETS				
Current assets	\$ 43,397,121	\$ 34,126,867	\$ 39,236,860	\$ 32,574,431
Other assets	391,576	371,639	397,227	371,198
Capital assets, net	274,870,729	287,359,733	292,519,464	305,413,729
Total assets	318,659,426	321,858,239	332,153,551	338,359,358
Deferred outflows of resources	-	-	-	-
Total deferred outflows of resources	-	-	-	-
Total assets and deferred outflows of resources	318,659,426	321,858,239	332,153,551	338,359,358
LIABILITIES				
Current Liabilities	13,257,146	12,906,846	12,719,510	13,389,398
Long-term debt, less current portion	48,326,061	46,678,338	54,968,214	52,345,651
Other liabilities	1,733,109	1,703,607	-	-
Total liabilities	63,316,316	61,288,791	67,687,724	65,735,049
Deferred inflows of resources	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Total liabilities and deferred inflows of resources	63,316,316	61,288,791	67,687,724	65,735,049
NET POSITION				
Net investment in capital assets	231,262,242	240,232,553	235,134,679	250,716,820
Restricted net position	7,537,134	7,082,600	8,040,077	9,898,937
Unrestricted net position	16,543,734	13,254,295	21,291,071	12,008,552
Total net position	\$ 255,343,110	\$ 260,569,448	\$ 264,465,827	\$ 272,624,309

2013	2014	2015	2016	2017	2018
\$ 32,814,816	\$ 39,111,669	\$ 39,912,924	\$ 40,671,434	\$ 43,790,599	\$ 52,701,941
-	-	-	-	-	176,545
307,028,144	325,617,263	329,187,064	336,770,564	345,213,687	365,415,253
339,842,960	364,728,932	369,099,988	377,441,998	389,004,286	418,293,739
-	-	-	3,606,351	3,713,219	2,191,517
-	-	-	3,606,351.00	3,713,219.00	2,191,517.00
339,842,960	364,728,932	369,099,988	381,048,349	392,717,505	420,485,256
9,143,935	11,744,320	10,416,775	11,092,230	11,218,133	12,011,082
48,602,454	64,943,631	63,940,043	69,881,525	73,683,138	88,700,673
-	-	-	-	-	-
57,746,389	76,687,951	74,356,818	80,973,755	84,901,271	100,711,755
4,654,447	4,749,530	4,860,267	4,940,700	5,065,942	9,482,028
4,654,447.00	4,749,530.00	4,860,267.00	4,940,700.00	5,065,942.00	9,482,028.00
62,400,836	81,437,481	79,217,085	85,914,455	89,967,213	110,193,783
255,729,921	257,294,832	260,413,331	266,551,066	270,659,404	274,461,095
10,246,328	11,686,522	9,881,258	9,542,522	9,702,367	9,958,036
11,465,875	14,310,097	19,588,314	19,040,306	22,388,521	25,872,342
\$ 277,442,124	\$ 283,291,451	\$ 289,882,903	\$ 295,133,894	\$ 302,750,292	\$ 310,291,473

**ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS**

CHANGE IN NET POSITION

Last Ten Fiscal Years

Fiscal Year	2009	2010	2011	2012
OPERATING REVENUES				
User charges				
Operation and maintenance	\$ 14,665,226	\$ 19,316,201	\$ 21,249,698	\$ 23,941,818
Replacement	887,496	-	-	-
Capital	5,851,302	1,628,128	1,227,847	-
Inspection fees and other user charges	277,725	232,555	130,000	140,529
Total user charges	21,681,749	21,176,884	22,607,545	24,082,347
Collection charges and penalties	215,571	251,195	313,246	254,646
Operating contributions from property owners and other government		-	-	-
Other	911,337	500,577	738,502	674,516
Total operating revenues	22,808,657	21,928,656	23,659,293	25,011,509
OPERATING EXPENSES				
Operations	12,841,771	13,158,030	13,437,616	14,049,842
Administration	3,371,825	3,737,308	3,549,239	3,706,304
Depreciation	8,905,303	9,176,404	9,084,723	9,662,120
Total operating expenses	25,118,899	26,071,742	26,071,578	27,418,266
OPERATING INCOME (LOSS)	(2,310,242)	(4,143,086)	(2,412,285)	(2,406,757)
NON-OPERATING REVENUES (EXPENSES)				
Property taxes	4,138,002	4,357,935	4,268,121	4,405,568
Assessments	-	-	-	-
Contrib. from property owners and other governments	718,830	465,416	211,134	1,789,486
Illinois personal property replacement taxes	1,699,605	1,211,839	1,707,523	1,540,371
Grant revenue	-	620,616	820,169	-
Investment income	429,962	281,974	245,614	148,077
Gain on sale of asset	53,956	18,424	8,278	59,082
Bond issuance costs	(7,003)	(19,938)	(19,920)	(26,029)
Interest expense	(913,863)	(1,221,912)	(1,366,935)	(1,708,082)
Total non-operating revenues (expenses)	6,119,489	5,714,354	5,873,984	6,208,473
INCOME BEFORE CAPITAL CONTRIBUTIONS	3,809,247	1,571,268	3,461,699	3,801,716
CAPITAL CONTRIBUTIONS	2,564,300	3,655,070	434,680	4,356,766
CHANGE IN NET POSITION	6,373,547	5,226,338	3,896,379	8,158,482
NET POSITION, MAY 1	249,654,400	255,343,110	260,569,448	264,465,827
Prior period adjustment	(684,837)	-	-	-
NET POSITION, MAY 1, RESTATED	248,969,563	-	-	-
NET POSITION, APRIL 30	\$ 255,343,110	\$ 260,569,448	\$ 264,465,827	\$ 272,624,309

2013	2014	2015	2016	2017	2018
\$ 26,616,372	\$ 27,467,382	\$ 28,703,404	\$ 30,597,615	\$ 31,771,981	\$ 33,724,019
-	-	-	-	-	-
-	-	-	-	-	-
149,659	123,639	256,869	233,911	204,845	257,550
26,766,031	27,591,021	28,960,273	30,831,526	31,976,826	33,981,569
372,459	372,964	310,713	459,657	427,272	417,564
-	-	-	-	1,121,897	104,797
692,715	801,286	1,268,915	816,152	934,071	1,686,141
27,831,205	28,765,271	30,539,901	32,107,335	34,460,066	36,190,071
13,929,286	14,402,443	14,635,601	14,609,380	15,156,571	15,843,489
4,050,456	4,186,334	4,191,715	4,482,179	4,776,160	5,136,374
10,320,057	10,762,949	10,953,242	12,898,464	11,966,603	13,279,911
28,299,799	29,351,726	29,780,558	31,990,023	31,899,334	34,259,774
(468,594)	(586,455)	759,343	117,312	2,560,732	1,930,297
4,486,748	4,629,495	4,715,715	4,805,294	4,899,572	4,976,974
-	-	-	6,613	6,387	6,162
1,194,454	1,388,177	287,299	474,405	-	-
1,527,188	1,747,717	1,705,217	1,518,683	1,814,742	1,688,093
-	-	-	-	232,525	181,001
158,773	100,998	142,857	142,620	178,459	244,377
7,952	56,306	31,208	63,844	73,079	140,394
(189,601)	(119,160)	-	-	(175,461)	-
(1,830,972)	(1,521,245)	(1,792,273)	(1,874,634)	(2,045,837)	(1,787,652)
5,354,542	6,282,288	5,090,023	5,136,825	4,983,466	5,449,349
4,885,948	5,695,833	5,849,366	5,254,137	7,544,198	7,379,646
303,065	153,494	742,086	948,326	72,200	161,535
5,189,013	5,849,327	6,591,452	6,202,463	7,616,398	7,541,181
272,624,309	277,442,124	283,291,451	289,882,903	295,133,894	302,750,292
(371,198)	-	-	(951,472)	-	-
272,253,111	-	-	288,931,431	-	-
\$ 277,442,124	\$ 283,291,451	\$ 289,882,903	\$ 295,133,894	\$ 302,750,292	\$ 310,291,473

**ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS**

NET POSITION BY SUB FUND

Last Ten Fiscal Years

Fiscal Year	2009	2010	2011	2012
GENERAL OPERATIONS				
Net investment in capital assets	\$ 230,084,917	\$ 239,086,400	\$ 234,550,798	\$ 249,094,016
Restricted - Debt Service	652,586	551,793	447,939	3,215,575
Unrestricted	16,543,734	13,254,295	21,291,071	12,008,552
Total general operations	247,281,237	252,892,488	256,289,808	264,318,143
PUBLIC BENEFIT				
Restricted	4,099,520	4,573,860	5,772,769	5,014,552
SPECIAL ASSESSMENTS				
Net investment in capital assets	1,177,325	1,146,153	583,881	1,622,804
Restricted	2,785,028	1,956,947	1,819,369	1,668,810
Total special assessments	3,962,353	3,103,100	2,403,250	3,291,614
TOTAL NET POSITION	\$ 255,343,110	\$ 260,569,448	\$ 264,465,827	\$ 272,624,309

2013	2014	2015	2016	2017	2018
\$ 255,420,159	\$ 257,040,999	\$ 260,256,470	\$ 264,232,539	\$ 270,171,724	\$ 274,451,889
3,145,121	4,711,248	3,245,999	3,969,895	3,995,100	4,026,840
11,465,875	14,310,097	19,588,314	19,040,306	22,388,521	25,872,342
270,031,155	276,062,344	283,090,783	287,242,740	296,555,345	304,351,071
4,525,884	3,259,898	4,237,275	2,479,564	3,187,776	3,539,437
309,762	253,833	156,861	2,318,527	487,680	9,206
2,575,323	3,715,376	2,397,984	3,093,063	2,519,491	2,391,759
2,885,085	3,969,209	2,554,845	5,411,590	3,007,171	2,400,965
\$ 277,442,124	\$ 283,291,451	\$ 289,882,903	\$ 295,133,894	\$ 302,750,292	\$ 310,291,473

**ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS**

SEWER USER RATE CHARGES AND CONNECTION FEES

Last Ten Fiscal Years

Fiscal Year ⁽¹⁾	Flow (Cents per 100 cubic feet)	Biochemical Oxygen Demand (BOD) ⁽²⁾	Total Suspended Solids (TSS) ⁽²⁾	Ammonia-N ⁽²⁾	Customer Service Charge ⁽³⁾	Average Household ⁽⁴⁾	Millions of Gallons of Sewage Treated
2009	\$ 0.78230	\$ 0.07163	\$ 0.49814	\$ 0.34111	\$ 2.50	\$ 143.34	11,760
2010	0.85662	0.07844	0.54547	0.37352	2.50	156.01	13,172
2011	0.89089	0.08158	0.56729	0.38847	2.50	161.85	12,369
2012	1.04578	0.15164	0.61835	0.55854	2.74	190.06	11,215
2013	1.17283	0.19849	0.59067	0.69635	3.54	206.64	9,666
2014	1.38110	0.22835	0.54599	0.79404	4.01	224.84	12,377
2015	1.46284	0.24082	0.61020	0.82518	4.46	242.40	11,778
2016	1.59279	0.24371	0.66576	0.79768	4.84	261.30	11,655
2017	1.66084	0.21484	0.74883	0.59641	5.14	273.11	11,646
2018	1.82179	0.23838	0.77960	0.52676	5.93	295.02	13,422

Data Sources

District Records

⁽¹⁾ Billing cycle from April 1 through March 31

⁽²⁾ Cents per Pound

⁽³⁾ Quarterly

⁽⁴⁾ Dollars per Year

**ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS**

SIGNIFICANT INDUSTRIAL USERS

For the Current Year and Nine Years Ago

Customer	2009		2018	
	Amount	%	Amount	%
Dean Dairy Holdings LLC	\$ 672,917	3.1 %	\$ 1,159,968	3.4 %
Muller Pinehurst Dairy	152,926	0.7	284,666	0.8
Mondelez Global LLC	106,905	0.5	203,574	0.6
Winnebago Reclamation			158,317	0.5
Hamilton Sundstrand			155,596	0.5
Beacon Hill Apartments	79,353	0.4	154,237	0.5
Evoqua Water Technologies LLC			152,806	0.4
Rockford Memorial Hospital	95,160	0.4	141,864	0.4
Winnebago County Justice Center			130,160	0.4
Curtis Metal Finishing			120,800	0.4
Swedish American Hospital	146,171	0.7		
Great Oaks Apartments	140,349	0.6		
Loves Park Water Dept.	80,441	0.4		
Collier International	67,298	0.3		
Cintas Corp	66,397	0.3		
Subtotal (10 largest)	1,607,918	7.4 %	2,661,987	7.8 %
Balance from other customers	20,073,831	92.6 %	31,319,582	92.2 %
Grand Totals	\$ 21,681,749	100.0 %	\$ 33,981,569	100.0 %

Data Source

District Records

**ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS**

ASSESSED AND ESTIMATED VALUE OF TAXABLE PROPERTY

Last Ten Levy Years

Levy Year	Residential Property	Commercial Property	Industrial Property	Other (Farm and Railway)	Total Taxable Assessed Value	Corporate Tax Rate	Public Benefit Tax Rate	Chlorination Tax Rate	Total Direct Tax Rate
2008	\$ 2,305,781,536	\$ 739,155,190	\$ 267,821,823	\$ 4,854,514	\$ 3,317,613,063	\$ 0.0636	\$ 0.0379	\$ 0.0228	\$ 0.1243
2009	2,320,485,647	735,317,117	254,466,716	5,048,264	3,315,317,744	0.0648	0.0387	0.0233	0.1268
2010	2,238,766,611	709,721,341	244,529,662	5,580,376	3,198,597,990	0.1008	0.0103	0.0251	0.1362
2011	2,135,076,709	668,442,992	234,025,455	5,684,281	3,043,229,437	0.1173	0.0025	0.0271	0.1469
2012	1,945,614,542	611,366,303	221,244,170	6,005,511	2,784,230,526	0.1365	0.0001	0.0299	0.1665
2013	1,761,541,462	580,360,655	207,033,338	6,390,403	2,555,325,858	0.1120	0.0413	0.0323	0.1856
2014	1,645,180,987	557,179,504	207,773,127	7,024,810	2,417,158,428	0.1230	0.0437	0.0341	0.2008
2015	1,592,429,089	572,256,914	205,774,186	7,297,030	2,377,757,219	0.1289	0.0441	0.0345	0.2075
2016	1,606,374,398	581,722,910	209,231,098	8,080,105	2,405,408,511	0.1547	0.0197	0.0338	0.2082
2017	1,644,400,425	589,205,082	212,912,446	7,802,416	2,454,320,369	0.1554	0.0147	0.0339	0.2040

Data Source

Winnebago County Clerk's Office

**ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS**

PROPERTY TAX INFORMATION

Last Ten Levy Years

Fiscal Year	Equalized Value of Taxable Property	Tax Rate Per \$1,000 Equalized Value	Corporate	Public Benefit	Chlorination	Total Tax Levies
2008	\$ 3,317,613,063	\$ 0.1243	\$ 2,110,002	\$ 1,257,375	\$ 756,416	\$ 4,123,793
2009	3,315,317,744	0.1268	2,148,326	1,283,028	772,469	4,203,823
2010	3,198,597,990	0.1362	3,224,187	329,456	802,848	4,356,490
2011	3,043,229,437	0.1469	3,569,708	76,081	824,715	4,470,504
2012	2,784,230,526	0.1665	3,800,475	2,784	832,485	4,635,744
2013	2,555,325,858	0.1856	2,861,965	1,055,350	825,370	4,742,685
2014	2,417,158,428	0.2008	2,973,105	1,056,298	824,251	4,853,654
2015	2,377,757,219	0.2075	3,064,929	1,048,591	820,326	4,933,846
2016	2,405,408,511	0.2082	3,721,167	473,865	813,028	5,008,061
2017	2,454,320,369	0.2040	3,814,014	360,785	832,015	5,006,814

Data Source

Winnebago County Clerk's Office

**ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS**

PRINCIPAL PROPERTY TAX PAYERS

Current Year and Nine Years Ago

Taxpayer	2008			2017		
	Rank	Assessed Valuation	of Total Assessed Valuation	Rank	Assessed Valuation	of Total Assessed Valuation
CBL/Cherryvale	1	\$ 15,172,154	0.33%	1	\$ 12,932,553	0.36%
Lowes Home Center, Inc.	2	14,776,374	0.32%	2	11,335,913	0.31%
Greater Rockford Airport Authority	3	12,881,837	0.28%	3	10,720,338	0.30%
Woodward, Inc.				4	9,609,484	0.27%
Beloit Memorial Hospital				5	8,775,292	0.24%
Meijer Stores Limited Partnership				6	8,075,634	0.22%
Forest Plaza, LLC				7	6,637,698	0.18%
Lubrizol Holding Inc.				8	5,672,631	0.16%
National Retail Properties, LP				9	5,064,613	0.14%
Two Star Property Co., Inc.	5	5,889,052	0.13%	10	4,604,767	0.13%
Hamilton Sundstrand Corp.	4	7,294,782	0.16%			
Menards, Inc.	6	5,413,557	0.12%			
Petry Family Trust	7	5,405,961	0.12%			
Simon Property Group	8	5,079,555	0.11%			
Swedish American Hospital	9	4,784,808	0.10%			
Commonwealth Edison	10	4,577,204	0.10%			
Totals		<u>\$ 81,275,284</u>	<u>1.77%</u>		<u>\$ 83,428,923</u>	<u>2.31%</u>

Note: The above figures for 2017 represent the Assessed Valuation related to the 2016 tax levy paid in 2017.

Data Source

Winnebago County Clerk's Office

**ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS**

SCHEDULE OF OUTSTANDING DEBT

Last Ten Fiscal Years

Fiscal Year	Illinois EPA Loans	Capital Lease Payable	General Obligation Bonds	Total Debt
2009	\$ 30,444,870	\$ -	\$ 20,835,000	\$ 51,279,870
2010	29,544,513	-	20,180,000	49,724,513
2011	28,656,957	-	28,440,000	57,096,957
2012	27,401,910	-	27,295,000	54,696,910
2013	7,208,692	142,363	43,660,000	51,011,055
2014	17,644,503	106,735	49,375,000	67,126,238
2015	20,920,681	66,957	45,325,000	66,312,638
2016	25,458,481	317,973	41,325,000	67,101,454
2017	31,644,522	552,431	37,420,000	69,616,953
2018	56,199,920	366,288	34,410,000	90,976,208

Data Source

Notes to financial statements

**ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS**

PLEDGED REVENUE COVERAGE

Last Ten Fiscal Years

Fiscal Year	Operating Revenue	Less: Operating Expenses	Net Available Revenues	Principal	Interest	Coverage
2009	\$ 21,681,749	\$ 16,213,596	\$ 5,468,153	\$ 2,666,063	\$ 1,182,513	1.42
2010	21,176,884	16,895,338	4,281,546	3,214,993	1,411,766	0.93
2011	22,607,545	16,986,855	5,620,690	3,296,842	1,838,020	1.09
2012	24,082,347	17,756,146	6,326,201	3,718,655	1,993,563	1.11
2013	26,766,031	17,979,742	8,786,289	3,906,668	1,907,677	1.51
2014	27,591,021	18,588,777	9,002,244	4,306,566	1,494,200	1.55
2015	28,960,273	18,827,316	10,132,957	4,777,910	1,778,076	1.55
2016	30,831,526	19,091,559	11,739,967	4,890,022	2,323,739	1.63
2017	31,976,826	19,932,731	12,044,095	5,527,024	2,089,887	1.58
2018	33,981,569	20,979,863	13,001,706	4,772,436	1,808,228	1.98

Note: Operating expenses do not include depreciation or amortization. The District's existing debt consists of revolving loans to Illinois EPA, Capital Lease Payables, and General Obligation Bonds.

Data Source

District Records

**ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS**

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Fiscal Year	Business-Type Activities			Total Debt	Percentage of Personal Income	Per Capita
	Illinois EPA Loans	General Obligation Bonds	Capital Lease Payable			
2009	\$ 30,444,870	\$ 20,835,000	\$ -	\$ 51,279,870	0.52 %	\$ 184.18
2010	29,544,513	20,180,000	-	49,724,513	0.51	168.21
2011	28,656,957	28,440,000	-	57,096,957	0.58	193.48
2012	27,401,910	27,295,000	-	54,696,910	0.54	186.28
2013	7,208,692	43,660,000	142,363	51,011,055	0.49	174.73
2014	17,644,503	49,375,000	106,735	67,126,238	0.63	230.78
2015	20,920,681	45,325,000	66,957	66,312,638	0.61	229.74
2016	25,458,481	41,325,000	317,973	67,101,454	0.59	233.67
2017	31,644,522	37,420,000	552,431	69,616,953	0.61	243.52
2018	56,199,920	34,410,000	366,288	90,976,208	N/A	N/A

N/A Not Available

Data Source

Notes to the financial statements

**ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS**

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

LEGAL DEBT MARGIN CALCULATION FOR FISCAL YEAR 2018

Assessed Value	\$ 2,454,320,369
Debt Limit - State (5.75% of assessed value)	141,123,421
Debt Applicable to Limit	
General Obligation Bonds	34,410,000
IEPA Loans	56,199,920
Capital Lease	366,288
Total Amount Applicable to Debt Limit	90,976,208
Legal debt margin	\$ 50,147,213
Total Net Debt as % of Debt Limit	64.47%

Legal Debt Margin Information for the Last Ten Fiscal Years

Fiscal Year	Total Net Debt Limit	Debt	Legal Debt Margin	Total Net Debt as % of Debt Limit
2009	\$ 190,762,751	\$ 51,279,870	\$ 139,482,881	26.88%
2010	190,630,770	49,724,513	140,906,257	26.08%
2011	183,919,384	57,096,957	126,822,427	31.04%
2012	174,985,693	54,696,910	120,288,783	31.26%
2013	160,093,255	51,011,055	109,082,200	31.86%
2014	146,931,237	67,126,238	79,804,999	45.69%
2015	138,986,610	66,312,638	72,673,972	47.71%
2016	136,721,040	67,101,454	69,619,586	49.08%
2017	138,310,989	69,616,953	68,694,036	50.33%

Data Sources

Audit Financial Statements and Winnebago County Assessor's Office

**ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS**

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Calendar Years

Calendar Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income
2008	278,418	\$ 9,913,625	\$ 35,607
2009	295,612	9,696,274	32,801
2010	295,106	9,865,021	33,429
2011	293,620	10,193,483	34,717
2012	291,934	10,444,223	35,776
2013	290,868	10,590,752	36,411
2014	288,639	10,936,829	37,891
2015	287,168	11,284,233	39,295
2016	285,873	11,407,382	39,904
2017	284,778	N/A	N/A

N/A = Not Available

Data Source

Statistics are not compiled specifically for the District. Population figures were determined by staff through the use of available U.S. Department of Commerce, Bureau of Economic Analysis information for Winnebago County.

**ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS**

POPULATION TRENDS

April 30, 2018

Fiscal Year	1990	2000	2010	2016	Change 2010 - 2016
City of Loves Park	15,462	20,044	23,996	23,413	-2.43 %
City of Rockford	139,426	150,115	152,871	147,651	-3.41
Village of Cherry Valley	1,615	2,191	3,162	3,129	-1.04
Village of Machesney Park	19,033	20,759	23,499	22,873	-2.66
Village of Roscoe	2,079	6,244	10,785	10,521	-2.45
Village of Winnebago	1,840	2,958	3,101	3,008	-3.00
Winnebago County	252,913	278,418	295,266	285,873	-3.18
State of Illinois	11,430,602	12,419,293	12,830,632	12,835,726	0.04

Data Sources

US Census Bureau, 1990 Census, 2000 Census, 2010 Census, and 2016 data.

**ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS**

UNEMPLOYMENT RATES

Last Ten Fiscal Years

Fiscal Year	Winnebago County	City of Rockford	State of Illinois	National
2008	8.40 %	9.50 %	6.30 %	5.80 %
2009	15.00	16.40	10.20	9.30
2010	14.00	15.80	10.40	9.60
2011	11.90	13.70	9.70	8.90
2012	10.50	12.10	9.00	8.10
2013	10.50	12.10	9.00	7.40
2014	8.30	9.60	7.10	6.20
2015	7.00	8.20	6.00	5.30
2016	6.60	7.60	5.80	4.90
2017	6.30	7.50	5.00	4.40

Data Source

Illinois Department of Employment Security

**ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS**

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2017			2008		
	Rank	Employees ⁽²⁾	Percentage of the Total City Employment	Rank	Employees ⁽¹⁾	Percentage of the Total City Employment
Fiat Chrysler Automobiles	1	5,152	3.33%	3	2,600	1.62%
Mercyhealth/Rockford Health	2	4,000	2.59%	4	2,500	1.56%
Rockford Public Schools	3	3,713	2.40%	1	4,800	2.99%
SwedishAmerican Health System	4	3,359	2.17%	2	2,600	1.62%
OSF Healthcare	5	2,800	1.81%	6	2,000	1.25%
UPS	6	2,379	1.54%	7	2,000	1.25%
UTC Aerospace Systems	7	2,200	1.42%	5	2,200	1.37%
Woodward	8	1,900	1.23%			
PCI - Packing Coordinators Inc.	9	1,800	1.16%			
Wal-mart Stores	10	1,471	0.95%			
Winnebago County				8	1,602	1.00%
Amcore Financial				9	1,600	1.00%
City of Rockford				10	1,210	0.75%
Totals		<u>28,774</u>	<u>18.60%</u>		<u>23,112</u>	<u>14.41%</u>
Total employment in the Rockford MSA		154,729			160,400	

Data Source

⁽¹⁾ Based on March 2008 telephone canvass of employers.

⁽²⁾ Rockford Area Economic and Development Council

**ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS**

RESIDENTIAL HOUSING BUILDING PERMITS

Last Five Years

Fiscal Year	<u>City of Loves Park</u>		<u>City of Rockford</u>		<u>Village of Machesney Park</u>		<u>Village of Winnebago</u>	
	Reported Building Permits	Construction Cost	Reported Building Permits	Construction Cost	Reported Building Permits	Construction Cost	Reported Building Permits	Construction Cost
2012	6	\$ 667,612	21	\$ 2,977,978	14	\$ 1,242,170	0	\$ -
2013	9	975,076	11	1,585,000	7	634,780	1	150,000
2014	14	1,923,890	35	4,384,237	13	2,015,531	2	344,000
2015	24	2,722,606	24	5,280,490	0	-	0	-
2016	22	2,864,403	86	11,456,952	2	283,692	0	-

Data Source

U.S. Census

**ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS**

DISTRIBUTION OF HOME VALUES FOR OWNER-OCCUPIED UNITS

April 30, 2018

Value of Specified Units	City of Loves Park	City of Rockford	Village of Cherry Valley	Village of Machesney	Village of Roscoe	Village of Winnebago	Winnebago County	State of Illinois	National
Less than \$50,000	7.80 %	12.50 %	1.00 %	5.50 %	4.40 %	2.60 %	8.60 %	7.50 %	8.80 %
\$50,000 to \$99,999	34.20	44.20	11.50	32.20	8.70	16.20	31.40	16.20	14.80
\$100,000 to \$149,999	29.30	24.60	21.90	35.60	33.40	35.80	29.80	16.60	15.30
\$150,000 to \$199,999	17.40	10.30	38.80	18.10	32.10	30.40	16.70	16.40	14.90
\$200,000 to \$299,999	8.10	5.70	19.70	6.40	16.70	14.40	9.30	20.30	18.40
\$300,000 to \$499,999	2.60	1.80	5.50	1.50	4.40	0.00	3.10	15.10	16.40
\$500,000 to \$999,999	0.40	0.70	0.00	0.70	0.00	0.00	0.80	6.20	9.00
\$1,000,000 or more	0.10	0.30	1.70	0.00	0.40	0.60	0.20	1.50	2.50
Total	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Median value	\$ 113,400	\$ 91,400	\$ 165,000	\$ 116,000	\$ 153,900	\$ 144,500	\$ 116,200	\$ 174,800	\$ 184,700
Owner-occupied	68.90 %	54.42 %	68.30 %	79.60 %	71.56 %	85.19 %	65.47 %	65.95 %	63.61 %

Note: Total of columns may not equal 100.0% due to rounding.

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.

Data Sources

U. S. Census Bureau, 2012-2016 American Community Survey Five-Year Estimates

**ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS**

DISTRIBUTION OF HOUSEHOLD INCOME

April 30, 2018

Household Income	City of Loves Park	City of Rockford	Village of Cherry Valley	Village of Machesney Park	Village of Roscoe	Village of Winnebago	Winnebago County	State of Illinois	National
Under \$10,000	5.80 %	11.10 %	0.80 %	3.60 %	3.10 %	2.70 %	7.90 %	7.10 %	7.00 %
\$10,000 to \$14,999	5.90	7.40	2.50	3.00	2.90	6.90	5.40	4.40	5.10
\$15,000 to \$24,999	8.80	13.70	9.70	8.90	5.80	4.30	11.20	9.60	10.20
\$25,000 to \$34,999	11.30	11.60	9.10	13.00	6.80	8.00	10.80	9.20	9.90
\$35,000 to \$49,999	17.90	15.70	21.40	15.20	10.60	7.10	15.20	12.60	13.20
\$50,000 to \$74,999	20.80	17.50	16.10	22.40	20.10	22.80	19.10	17.50	17.80
\$75,000 to \$99,999	13.50	10.70	11.70	16.10	17.60	17.70	13.00	12.70	12.20
\$100,000 to \$149,999	9.50	7.70	17.90	14.70	22.60	14.00	11.10	14.50	13.50
\$150,000 to \$199,999	4.00	2.50	3.90	2.70	5.70	10.90	3.70	6.00	5.40
\$200,000 or more	2.40	2.20	7.00	0.40	4.80	5.50	2.70	6.20	5.70
Total	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Median Household Income	\$ 50,284	\$ 40,143	\$ 58,750	\$ 56,563	\$ 76,463	\$ 73,719	\$ 49,468	\$ 59,196	\$ 55,322

Note: Total of columns may not equal 100.0% due to rounding.

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Data Sources

U.S. Census Bureau, 2012-2016 American Community Survey Five-Year Estimates

**ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS**

EDUCATION LEVELS FOR PERSONS 25 YEARS OF AGE AND OLDER

April 30, 2018

Education Level	City of Loves Park	City of Rockford	Village of Cherry Valley	Village of Machesney Park	Village of Roscoe	Village of Winnebago	Winnebago County	State of Illinois	National
Less than 9th Grade	2.80 %	6.20 %	2.50 %	3.30 %	1.90 %	20.00 %	4.30 %	5.30 %	5.60 %
9th to 12th grade, no diploma	7.20	10.40	4.30	8.30	2.50	2.50	8.30	6.40	7.40
High School Graduate	31.80	30.00	33.80	39.10	28.80	32.10	32.30	26.50	27.50
Some college, no degree	27.60	23.60	24.10	25.60	25.80	24.20	24.20	21.10	21.00
Associate degree	7.80	8.30	7.40	9.30	8.50	14.60	8.50	7.80	8.20
Bachelor's degree	14.50	13.00	20.10	10.90	20.60	16.90	14.30	20.20	18.80
Graduate or professional degree	8.30	8.60	7.80	3.50	12.00	9.40	8.10	12.70	11.50
Total	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %

Note: Total of columns may not equal 100% due to rounding.

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.

Data Sources

U.S. Census Bureau, 2012-2016 American Community Survey Five-Year Estimates

**ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS**

BUDGETED AUTHORIZED FULL-TIME EQUIVALENT EMPLOYEES

Last Ten Fiscal Years

Department	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Administration	23	23	23	23	23	23	23	24	24	24	25
Legal	-	-	-	-	-	-	-	-	-	2	2
Engineering	18	18	18	18	18	18	18	19	19	18	19
Plant Operations	28	28	28	28	28	28	28	28	28	29	29
Laboratory	5	5	5	5	5	5	5	5	5	5	5
Maintenance	37	37	37	37	37	37	37	37	37	37	38
Total	111	111	111	111	111	111	111	113	113	115	117

Data Source

District Records

**ROCK RIVER WATER RECLAMATION DISTRICT
ROCKFORD, ILLINOIS**

OPERATING INDICATORS

Last Ten Calendar Years

Calendar Year	Non-Residential Connection Permits	Millions of Gallons of Influent Plant Flow ⁽¹⁾	Screenings ⁽²⁾	Grit ⁽²⁾	Biochemical Oxygen Demand (BOD) ⁽²⁾	Percent Removal	Total Suspended Solids (TSS) ⁽³⁾	Percent Removal	Ammonia Nitrogen (NH4-N) ⁽²⁾
2008	63	11,760.00	334,640	118,960	20,263,355	97.10%	7,882	98.10%	1,635,114
2009	35	13,171.60	245,620	103,920	18,486,345	96.10%	8,427	97.70%	1,681,199
2010	34	12,369.20	249,780	526,860	19,535,943	96.20%	8,150	97.70%	1,657,605
2011	38	11,214.90	400,700	232,420	18,826,155	95.90%	8,395	97.40%	1,981,900
2012	41	9,665.50	875,180	220,520	18,301,998	96.70%	8,668	97.70%	1,970,335
2013	41	12,376.80	644,935	116,240	19,936,613	95.70%	10,821	97.00%	1,994,707
2014	48	11,777.90	475,060	92,920	18,146,077	96.20%	9,047	97.90%	2,066,971
2015	64	11,654.50	494,090	103,120	18,483,264	95.70%	8,452	96.50%	2,120,628
2016	68	11,645.90	274,124	142,980	17,868,833	96.30%	8,007	97.20%	1,977,897
2017	72	13,422.00	213,660	122,900	16,822,172	96.80%	8,187	97.70%	2,050,413

Data Source

District Records

⁽¹⁾ Total per Year

⁽²⁾ Pounds per Year

⁽³⁾ Dry Tons per Year