

REND LAKE CONSERVANCY DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS

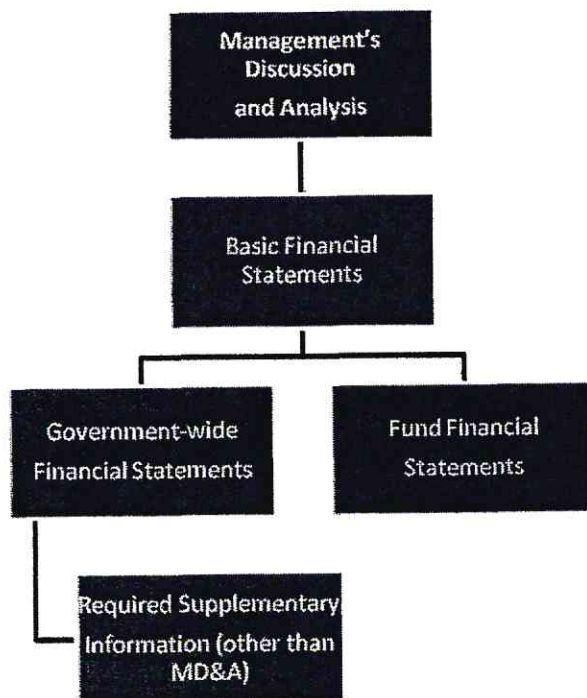
April 30, 2018

The Rend Lake Conservancy District's (the District) discussion and analysis is designed to identify the significant financial issues within the District, provide a summary of the District's financial activity, discuss variances in the District's financial position, and discuss individual fund issues and/or concerns.

This narrative overview and analysis of the financial activities of the District is for the fiscal year ended April 30, 2018. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

USING THIS REPORT

The following chart is provided for your review:



The financial statement's focus is on both the District as a whole, government-wide and on the major individual funds. Both perspectives (government-wide and major fund) allow the reader to address relevant questions and enhance the District's accountability.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances. They are comprised of the Statement of Net Position and Statement of Activities.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. This statement combines and consolidates governmental fund's current financial resources with capital assets and long-term obligations.

The Statement of Activities presents information showing how the District's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the financial statements have separate sections for two different types of programs or activities. These two types of activities are:

Governmental Activities - The activities in this section are mostly supported by taxes and charges for services. The governmental activities of the District include General Administration.

Enterprise (Business-Type) Activities - These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These business-type activities of the District include Inter-City Water, Recreation, and Sewer Treatment.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and enterprise funds.

The fund financial statements provide detail information about each of the District's most significant funds, called major funds. The concept of major funds, and the determination of which are major funds, was established by GASB Statement 34 and replaces the concept of combining like funds and presenting them in total. Instead, each major fund is presented individually. All of the District's funds are considered major funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information providing a budgetary comparison statement for the general fund.

STATEMENT OF NET POSITION
Condensed Statement of Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and Other Assets	\$ 1,581,686	\$ 1,481,829	\$ 15,173,036	\$ 11,791,263	\$ 16,754,722	\$ 13,273,092
Noncurrent Assets	1,250,730	1,116,024	52,917,579	53,792,235	54,168,309	54,908,259
Deferred Outflows of Resources	<u>100,953</u>	<u>151,983</u>	<u>408,120</u>	<u>503,300</u>	<u>509,073</u>	<u>655,283</u>
Total Assets	<u>2,933,369</u>	<u>2,749,836</u>	<u>68,498,735</u>	<u>66,086,798</u>	<u>71,432,104</u>	<u>68,836,634</u>
Current Liabilities	237,913	171,449	1,265,886	982,098	1,503,799	1,153,547
Non-current Liabilities	8,065	201,162	784,879	1,490,819	792,944	1,691,981
Deferred Inflows of Resources	<u>651,941</u>	<u>357,912</u>	<u>1,280,686</u>	<u>69,742</u>	<u>1,932,627</u>	<u>427,654</u>
Total Liabilities and Deferred Inflows of Resources	<u>897,919</u>	<u>730,523</u>	<u>3,331,451</u>	<u>2,542,659</u>	<u>4,229,370</u>	<u>3,273,182</u>
Net Position:						
Net Investment in Capital Assets	1,074,500	1,116,024	51,368,362	52,888,967	52,442,862	54,004,991
Restricted	-	-	-	-	-	-
Unrestricted	<u>960,950</u>	<u>903,289</u>	<u>13,798,922</u>	<u>10,655,172</u>	<u>14,759,872</u>	<u>11,558,461</u>
Total Net Position	<u>\$ 2,035,450</u>	<u>\$ 2,019,313</u>	<u>\$ 65,167,284</u>	<u>\$ 63,544,139</u>	<u>\$ 67,202,734</u>	<u>\$ 65,563,452</u>

Normal Impacts

There are four basic transactions that will affect the Statement of Net Assets summary presentation.

Net Results of Activities - This can impact all classifications of the Statement of Net Position, current assets and liabilities, long-term assets and liabilities, and net position. In this fiscal year, the change in net position was \$16,137 for the governmental activities and \$1,623,145 for the business type activities.

Spending Borrowed Proceeds or Current Assets on New Capital Assets - Spending borrowed proceeds will increase capital assets and liabilities and will have no impact on net assets. Spending current assets (cash and investments) will increase capital assets and decrease current assets. In addition, it will increase net assets invested in capital assets, net of related debt, and decrease unrestricted net assets. Capital assets were purchased this fiscal year utilizing current assets.

Reduction of Capital Assets through Depreciation - Depreciation will reduce capital assets and invested in capital assets, net of debt. Depreciation expense in this fiscal year was \$2,883,660.

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Principal Payment on Debt Secured by Capital Assets - Debt payments will (a) reduce current assets and liabilities and (b) reduce unrestricted net assets and increase investment in capital assets, net of debt. Principal paid on notes payable in this fiscal year was \$66,487.

Statement of Activities

The following condensed Statement of Activities for the fiscal year ended April 30, 2018 displays the revenues and expenses for the current fiscal year.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
REVENUES						
Program Revenues:						
Charges for Services	\$ -	\$ -	\$ 12,811,415	\$ 12,200,700	\$ 12,811,415	\$ 12,200,700
Operating Grants and Contributions	-	-	-	-	-	-
Capital Grants and Contributions	-	-	-	-	-	-
General Revenues:						
Property Taxes	362,940	354,738	30,515	37,666	393,455	392,404
Other Taxes	71,281	87,451	-	-	71,281	87,451
Investment income	99,724	40,409	79,905	72,534	179,629	112,943
Miscellaneous	11,671	12,384	35,284	56,582	46,955	68,966
Total Revenues	<u>545,616</u>	<u>494,982</u>	<u>12,957,119</u>	<u>12,367,482</u>	<u>13,502,735</u>	<u>12,862,464</u>
EXPENSES						
General Government	1,164,479	1,152,427	-	-	1,164,479	1,152,427
Water	-	-	9,041,640	8,397,595	9,041,640	8,397,595
Recreation	-	-	1,581,712	1,602,383	1,581,712	1,602,383
Sewage	-	-	417,338	431,871	417,338	431,871
Total Expenses	<u>1,164,479</u>	<u>1,152,427</u>	<u>11,040,690</u>	<u>10,431,849</u>	<u>12,205,169</u>	<u>11,584,276</u>
Change in Net Position Before Transfers	(618,863)	(657,445)	1,916,429	1,935,633	1,297,566	1,278,188
Transfers	<u>635,000</u>	<u>635,000</u>	<u>(635,000)</u>	<u>(635,000)</u>	<u>-</u>	<u>-</u>
Change in Net Position	16,137	(22,445)	1,281,429	1,300,633	1,297,566	1,278,188
Prior Period Adjustment	-	-	341,716	-	341,716	-
Net Position, Beginning of the Year	<u>2,019,313</u>	<u>2,041,758</u>	<u>63,544,139</u>	<u>62,243,506</u>	<u>65,563,452</u>	<u>64,285,264</u>
Net Position, End of the Year	<u>\$ 2,035,450</u>	<u>\$ 2,019,313</u>	<u>\$ 65,167,284</u>	<u>\$ 63,544,139</u>	<u>\$ 67,202,734</u>	<u>\$ 65,563,452</u>

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OVERALL FINANCIAL POSITION

Results of Operations

Net position increases of \$1,639,282 in this fiscal year and \$1,278,188 in the prior fiscal year continue to improve the financial position of the District. Cash, cash equivalents and investments increased by \$3,207,694, due mainly to net cash provided by operating activities. Investment income increased from \$112,943 last year to \$179,629. The increase can be attributed to aggressive investment choices despite low interest rates.

In the enterprise funds, operating revenues increased by \$610,715 from the prior year. Operating expenses increased by \$608,841, resulting in an increase in net operating revenue of \$1,874 compared to the past year. Total non-operating revenue decreased by \$21,078 in large part because of the decrease in miscellaneous income received in this fiscal year. The District received no grant and contribution revenue this year or last year. As a result, the change in net position in the enterprise funds was \$19,204 less than it was last year.

Property Taxes

The District's property tax revenue in the fiscal year was \$393,455, just under 3% of the District's total revenue. On the most recent levy, the District tax for a property with a fair market value of \$100,000 amounted to only \$18 a year. The District levied a tax rate of .1226 (per \$100) for 2004. The rate for 2017 will be .0543, a reduction of over 55%. The District's success in reducing property taxes is even more impressive when compared to other taxing bodies.

THE DISTRICT'S FUNDS

Governmental Fund

The District has only one governmental fund. It is the administrative fund. In the fiscal year ended April 30, 2018, receipts for the fund came from Property Taxes (\$362,940), Personal Property Replacement Tax (\$71,281), Interest and Miscellaneous Income (\$111,395) and Administration Fees (\$635,000) from the other funds. The fund balance increased during the fiscal year by \$16,137. Revenues were 107% of the budgeted number. Expenditures were 92% of budgeted expenses.

Proprietary Funds
Inter-City Water

Inter-City Water is comprised of a water plant and water distribution system. During the year, 37 wholesale customers purchased 5,069,500,059 gallons at an average price of \$2.00 per thousand gallons. Approximately 1,200 retail customers purchased 176,486,843 gallons at an average price of \$4.18 per thousand gallons. Total sales in the year were up from the prior year by 54 million gallons and \$416,287.

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Wholesale sales increased by more than 51 million gallons. Retail sales were up more than 3 million gallons. Among retail customers, residential sales were up 3.0 million gallons, retail commercial sales remained the same, and miscellaneous other sales remained the same. Weather can affect future prospects. A wet year could cause sales volume to decrease, while a drought year could increase volume sales volume.

Net position increased during the fiscal year by \$1,544,784 compared to \$1,363,387 in the prior fiscal year. The District did not receive grant and contribution revenue in the current year or in the prior year.

Recreation

The Recreation Fund is comprised of three departments, including the Golf Course and the Lodge/Condo complex, which provide recreation opportunities and promote tourism in the area, and Recreation Central/Leasing, which provides income and recreation opportunities through the leasing of the restaurant, shooting complex, farm land, apartment land, and oil royalties.

Net position increased by \$28,903, after a decrease last year of \$114,292. Cash flow was negative during the year by \$6,966, after paying down principal on the long-term debt for \$231,800 and purchasing capital assets during the year for \$98,971.

Golf course revenue increased 2% this year, from the prior year. Seasons Lodge revenue increased 15% in the current year. Lease revenue increased 16% in the current year, due to additional cabin rentals, despite decreases in farm rent and oil royalties. Oil royalty revenue fluctuates with the price of crude and was down significantly during the year.

The Recreation Department is an engine for tourism in Southern Illinois, providing an exceptional recreation destination for thousands of golfers, fishermen, and hunters from throughout the Midwest and beyond. Tourism is an important part of the local economy. The golf resort is an important component of that tourism.

Sewage Treatment System

Net position increased by \$49,458 compared to an increase of \$51,538 last year. Two small communities and seven commercial customers in the vicinity of Rend Lake are served by the fund. Departments of the State of Illinois represent 93% of the billing. Those departments are paying late and are currently not paying interest and maintenance charges. Maintenance charges assessed and unpaid are for damages to the sewage system by materials improperly put into the system per District ordinances. An increase in rates for the next year should have a positive impact on the sewage treatment system.

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CAPITAL ASSETS AND DEBT ADMINISTRATION

As of year-end, the District had \$104,799,252 invested in a variety of capital assets and \$714,765 invested in projects uncompleted, as reflected in the following schedule.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Activities</u>
Property, Plant and Equipment	\$ 2,070,668	\$ 101,241,188	\$ 103,311,856
Land	925,323	562,073	1,487,396
Construction in Progress	-	714,765	714,765
Accumulated Depreciation	<u>(1,921,491)</u>	<u>(50,318,584)</u>	<u>(52,240,075)</u>
 Total	 <u>\$ 1,074,500</u>	 <u>\$ 52,199,442</u>	 <u>\$ 53,273,942</u>

Debt Outstanding

As of year end, the District had outstanding notes and bonds as follows:

ILEPA	\$ 831,080
Interfund loans	2,367,123

Net principal payments of \$66,487 were made during the fiscal year. More detailed information regarding long-term debt is in Note 3 and 9 of the financial statements.

FINANCIAL CONTACT

The District's financial statements are designed to present users (citizens, taxpayers, customers, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have questions about this report or need additional information, please contact the District's Comptroller, P.O. Box 907, Benton, Illinois 62812.