

REND LAKE CONSERVANCY DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS

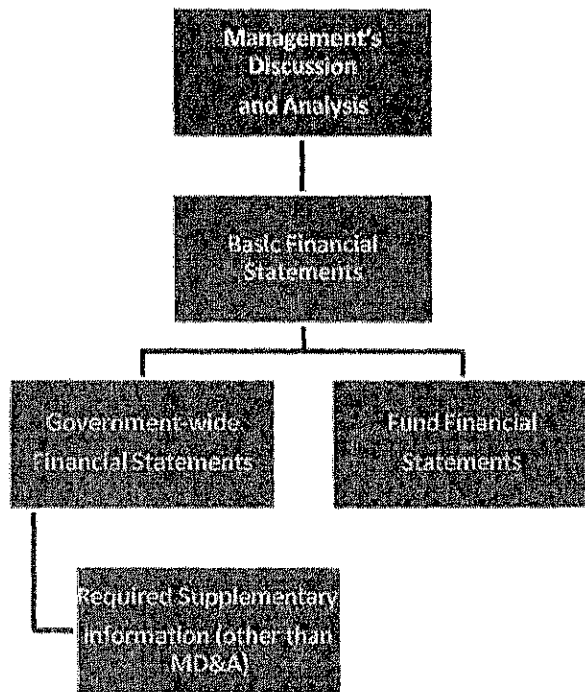
April 30, 2017

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, 2017. 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.

## REND LAKE CONSERVANCY DISTRICT

### MANAGEMENT DISCUSSION AND ANALYSIS - CONTINUED

April 30, 2017

#### **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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and Other Assets	\$ 1,481,829	\$ 1,420,262	\$ 11,791,263	\$ 8,314,529	\$ 13,273,092	\$ 9,734,791
Noncurrent Assets	1,116,024	1,145,236	53,792,235	56,033,451	54,908,259	57,178,687
Deferred Outflows of Resources	<u>151,983</u>	<u>199,427</u>	<u>503,300</u>	<u>720,712</u>	<u>655,283</u>	<u>920,139</u>
<b>Total Assets</b>	<u>2,749,836</u>	<u>2,764,925</u>	<u>66,086,798</u>	<u>65,068,692</u>	<u>68,836,634</u>	<u>67,833,617</u>
Current Liabilities	171,449	162,960	982,098	1,152,996	1,153,547	1,315,956
Non-current Liabilities	201,162	201,107	1,490,819	1,629,298	1,691,981	1,830,405
Deferred Inflows of Resources	<u>357,912</u>	<u>359,100</u>	<u>69,742</u>	<u>42,892</u>	<u>427,654</u>	<u>401,992</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>730,523</u>	<u>723,167</u>	<u>2,542,659</u>	<u>2,825,186</u>	<u>3,273,182</u>	<u>3,548,353</u>
Net Position:						
Net Investment in Capital Assets	1,116,024	1,141,478	52,888,967	55,059,386	54,004,991	56,200,864
Restricted	-	-	-	-	-	-
Unrestricted	<u>903,289</u>	<u>900,280</u>	<u>10,655,172</u>	<u>7,184,120</u>	<u>11,558,461</u>	<u>8,084,400</u>
<b>Total Net Position</b>	<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>

**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 (\$22,445) for the governmental activities and \$1,300,633 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 \$2,833,226.

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MANAGEMENT DISCUSSION AND ANALYSIS - CONTINUED

April 30, 2017

**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 \$66,486.

**Statement of Activities**

The following condensed Statement of Activities for the fiscal year ended April 30, 2017 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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>REVENUES</b>						
Program Revenues:						
Charges for Services	\$ -	\$ -	\$ 12,200,700	\$ 12,114,057	\$ 12,200,700	\$ 12,114,057
Operating Grants and Contributions	-	-	-	-	-	-
Capital Grants and Contributions	-	-	-	191,190	-	191,190
General Revenues:						
Property Taxes	354,738	354,057	37,666	38,412	392,404	392,469
Other Taxes	87,451	83,250	-	-	87,451	83,250
Investment income	40,409	16,737	72,534	54,347	112,943	71,084
Miscellaneous	12,384	29,012	56,582	69,207	68,966	98,219
<b>Total Revenues</b>	<u>494,982</u>	<u>483,056</u>	<u>12,367,482</u>	<u>12,467,213</u>	<u>12,862,464</u>	<u>12,950,269</u>
<b>EXPENSES</b>						
General Government	1,152,427	1,043,091	-	-	1,152,427	1,043,091
Water	-	-	8,397,595	8,408,901	8,397,595	8,408,901
Recreation	-	-	1,602,383	1,657,278	1,602,383	1,657,278
Sewage	-	-	431,871	415,134	431,871	415,134
<b>Total Expenses</b>	<u>1,152,427</u>	<u>1,043,091</u>	<u>10,431,849</u>	<u>10,481,313</u>	<u>11,584,276</u>	<u>11,524,404</u>
<b>Change in Net Position</b>						
Before Transfers	(657,445)	(560,035)	1,935,633	1,985,900	1,278,188	1,425,865
Transfers	635,000	635,000	(635,000)	(635,000)	-	-
<b>Change in Net Position</b>	<b>(22,445)</b>	<b>74,965</b>	<b>1,300,633</b>	<b>1,350,900</b>	<b>1,278,188</b>	<b>1,425,865</b>
<b>Prior Period Adjustment</b>						
	-	15,493	-	55,993	-	71,486
<b>Net Position, Beginning of the Year</b>						
	<u>2,041,758</u>	<u>1,951,300</u>	<u>62,243,506</u>	<u>60,836,613</u>	<u>64,285,264</u>	<u>62,787,913</u>
<b>Net Position, End of the Year</b>						
	<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>

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MANAGEMENT DISCUSSION AND ANALYSIS - CONTINUED

April 30, 2017

**OVERALL FINANCIAL POSITION**

**Results of Operations**

Net position increases of \$1,278,188 in this fiscal year and \$1,425,865 in the prior fiscal year continue to improve the financial position of the District. The prior year increase included grant revenue and contributions of \$191,190. Without the grant revenue, the prior year increase would have been \$1,234,675. Cash, cash equivalents and investments increased by \$3,420,772, due mainly to net cash provided by operating activities. Investment income increased from \$71,084 last year to \$112,943. The increase can be attributed to aggressive investment choices despite low interest rates.

In the enterprise funds, operating revenues increased by \$86,643 from the prior year. Operating expenses decreased by \$49,464, resulting in an increase in net operating revenue of \$136,107 compared to the past year. Total non-operating revenue decreased by \$186,374 in large part because of the decrease in net grant revenue received, offset by a decrease in interest paid and increase in investment earnings in this fiscal year. The District received no grant and contribution revenue this year, compared to \$191,190 last year. As a result, the change in net position in the enterprise funds was \$50,267 less than it was last year.

**Property Taxes**

The District's property tax revenue in the fiscal year was \$392,404, just over 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 \$17 a year. The District levied a tax rate of .1226 (per \$100) for 2004. The rate for 2017 will be .0508, a reduction of over 58%. 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, 2017 receipts for the fund came from Property Taxes (\$354,738), Personal Property Replacement Tax (\$87,451), Interest and Miscellaneous Income (\$52,793) and Administration Fees (\$635,000) from the other funds. Net position increased during the fiscal year by \$86,926. Revenues were 105% of the budgeted number. Expenditures were 100% 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 5,017,868,783 gallons at an average price of \$1.94 per thousand gallons. Approximately 1,200 retail customers purchased 173,476,614 gallons at an average price of \$4.06 per thousand gallons. Total sales in the year were down from the prior year by 99 million gallons, but up by \$130,830.

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Wholesale sales decreased by more than 88 million gallons. Retail sales were down more than 10 million gallons. Among retail customers, residential sales were down 1.9 million gallons, retail commercial sales were down 2.7 million gallons, and miscellaneous other sales were down by 5.7 million gallons. Weather can affect future prospects. A wet year could cause sales volume to decrease, while a drought year could increase volume sales.

Net position increased during the fiscal year by \$1,363,387 compared to \$1,509,736 in the prior fiscal year. The District did not receive grant and contribution revenue in the current year, compared with \$191,190 received 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 decreased by \$114,292, after a decrease last year of \$218,517. In the last ten years, the fund balance has increased by \$93,551. Cash flow was positive during the year by \$77,443, after paying down principal on the long-term debt and purchasing capital assets during the year for \$55,932.

Golf course revenue decreased 12% this year, from the prior year. Seasons Lodge revenue increased 17% in the current year. Lease revenue decreased significantly with 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 \$51,538 compared to an increase of \$59,681 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 86% 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 \$104,235,320 invested in a variety of capital assets and \$23,654 invested in projects uncompleted, as reflected in the following schedule.

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u> <u>Activities</u>
Property, Plant and Equipment	\$ 2,070,668	\$ 100,677,255	\$ 102,747,924
Land	925,323	562,073	1,487,396
Construction in Progress	-	23,654	23,654
Accumulated Depreciation	<u>(1,879,967)</u>	<u>(47,476,448)</u>	<u>(49,356,415)</u>
 Total	 <u>\$ 1,116,024</u>	 <u>\$ 53,786,534</u>	 <u>\$ 54,902,358</u>

**Debt Outstanding**

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

ILEPA	\$ 897,567
Interfund loans	2,699,945

Net principal payments of \$66,486 were made during the fiscal year. More detailed information regarding long-term debt is in Note 10 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.