

REND LAKE CONSERVANCY DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS

April 30, 2014

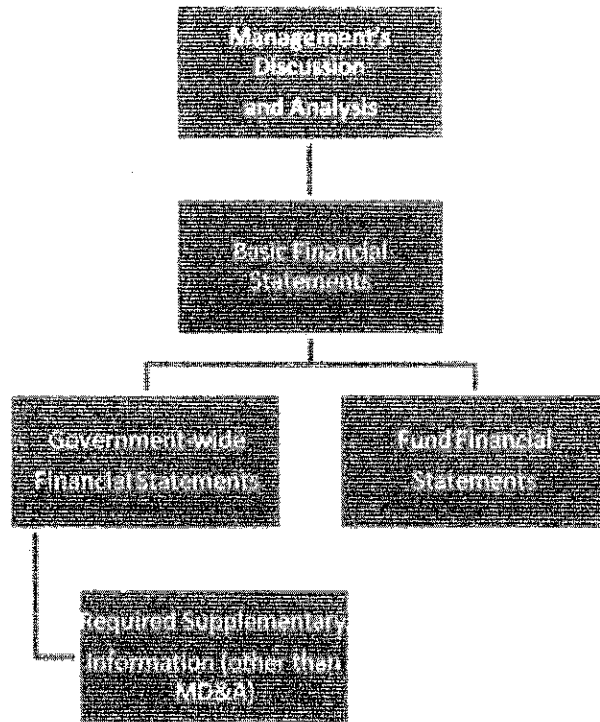
The Rend Lake Conservancy District's (District) discussion and analysis is designed to identify the significant financial issues within the District, provide a summary of the District's financial activity, discuss variances in the District's financial position, and discuss individual fund issues and/or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

This narrative overview and analysis of the financial activities of the District is for the fiscal year ended April 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

The District implemented new reporting standards consistent with Governmental Accounting Standards Board Statement #34 in the fiscal year ending April 30, 2004.

**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

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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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and Other Assets	\$ 1,305,994	\$ 1,327,728	\$ 10,378,822	\$ 13,109,092	\$ 11,684,816	\$ 14,436,820
Noncurrent Assets	<u>1,170,200</u>	<u>1,210,028</u>	<u>56,534,414</u>	<u>53,617,180</u>	<u>57,704,614</u>	<u>54,827,208</u>
<b>Total Assets</b>	<u>2,476,194</u>	<u>2,537,756</u>	<u>66,913,236</u>	<u>66,726,272</u>	<u>69,389,430</u>	<u>69,264,028</u>
Current Liabilities	148,814	120,390	2,543,849	4,991,269	2,692,663	5,111,659
Non-current Liabilities	-	-	5,156,293	7,097,529	5,156,293	7,097,529
Deferred Inflows of Resources	<u>391,000</u>	<u>397,000</u>	<u>44,000</u>	<u>43,000</u>	<u>435,000</u>	<u>440,000</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>539,814</u>	<u>517,390</u>	<u>7,744,142</u>	<u>12,131,798</u>	<u>8,283,956</u>	<u>12,649,188</u>
Net Position:						
Net Investment in Capital Assets	1,166,442	1,206,270	50,054,189	46,867,771	51,220,631	48,074,041
Restricted	-	-	2,049,280	3,971,637	2,049,280	3,971,637
Unrestricted	<u>769,938</u>	<u>814,096</u>	<u>7,065,625</u>	<u>3,755,066</u>	<u>7,835,563</u>	<u>4,569,162</u>
<b>Total Net Position</b>	<u>\$ 1,936,380</u>	<u>\$ 2,020,366</u>	<u>\$ 59,169,094</u>	<u>\$ 54,594,474</u>	<u>\$ 61,105,474</u>	<u>\$ 56,614,840</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 \$(83,986) for the governmental activities and \$4,574,620 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. There were no proceeds from borrowed funds in the fiscal year.

**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 \$2,497,699.

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MANAGEMENT DISCUSSION AND ANALYSIS - CONTINUED

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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 \$1,904,735.

**Statement of Activities**

The following condensed Statement of Activities for the fiscal year ended April 30, 2014 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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>REVENUES</b>						
Program Revenues:						
Charges for Services	\$ -	\$ -	\$ 11,915,613	\$ 11,873,868	\$ 11,915,613	\$ 11,873,868
Operating Grants and Contributions	-	-	433	-	433	-
Capital Grants and Contributions	-	-	2,552,091	7,170,794	2,552,091	7,170,794
General Revenues:						
Property Taxes	412,053	398,393	44,788	58,337	456,841	456,730
Other Taxes	84,221	73,593	-	-	84,221	73,593
Investment income	898	1,706	21,341	40,508	22,239	42,214
Miscellaneous	20	531	130,063	295,620	130,083	296,151
<b>Total Revenues</b>	<u>497,192</u>	<u>474,223</u>	<u>14,664,329</u>	<u>19,439,127</u>	<u>15,161,521</u>	<u>19,913,350</u>
<b>EXPENSES</b>						
General Government	1,061,178	921,859	-	-	1,061,178	921,859
Water	-	-	7,577,492	7,492,071	7,577,492	7,492,071
Recreation	-	-	1,638,654	1,656,349	1,638,654	1,656,349
Sewage	-	-	393,563	408,228	393,563	408,228
<b>Total Expenses</b>	<u>1,061,178</u>	<u>921,859</u>	<u>9,609,709</u>	<u>9,556,648</u>	<u>10,670,887</u>	<u>10,478,507</u>
<b>Change in Net Position</b>						
Before Transfers	(563,986)	(447,636)	5,054,620	9,882,479	4,490,634	9,434,843
Transfers	480,000	480,000	(480,000)	(480,000)	-	-
<b>Change in Net Position</b>	<b>(83,986)</b>	<b>32,364</b>	<b>4,574,620</b>	<b>9,402,479</b>	<b>4,490,634</b>	<b>9,434,843</b>
<b>Net Position, Beginning of the Year</b>	<u>2,020,366</u>	<u>1,988,002</u>	<u>54,594,474</u>	<u>45,191,995</u>	<u>56,614,840</u>	<u>47,179,997</u>
<b>Net Position, End of the Year</b>	<u>\$ 1,936,380</u>	<u>\$ 2,020,366</u>	<u>\$ 59,169,094</u>	<u>\$ 54,594,474</u>	<u>\$ 61,105,474</u>	<u>\$ 56,614,840</u>

# REND LAKE CONSERVANCY DISTRICT

## MANAGEMENT DISCUSSION AND ANALYSIS - CONTINUED

April 30, 2014

### OVERALL FINANCIAL POSITION

#### Results of Operations

Net position increases of \$4,490,634 in this fiscal year and \$9,434,843 in the prior fiscal year continue to improve the financial position of the District. The current year increase included grant revenue and contributions of \$2,552,524 and the prior year increase included \$7,170,794. Without the grant revenue, the increase this year would have been \$1,938,110 and the increase last year would have been \$2,264,049. Cash, cash equivalents and investments decreased by \$2,162,044, due mainly to purchases of capital assets by cash. Investment income decreased from \$42,214 last year to \$22,239. The decrease can be attributed to continued low interest rates.

In the enterprise funds, operating revenues decreased by \$123,812 over the prior year. Operating expenses increased by \$101,747 resulting in a decrease in net operating revenue of \$225,559 compared to the past year. Total non-operating revenue increased by \$15,970 in large part because of the decrease in property taxes of \$13,549, lower interest rates on investments received, and less interest paid in this fiscal year. Grant and contribution revenue was \$2,552,524 this year and \$7,170,794 last year. Last year's revenue came from the payment for a project by the ultimate customer. As a result, the change in net position in the enterprise funds was \$4,827,859 less than it was last year.

#### Property Taxes

The District's property tax revenue in the fiscal year was \$456,841, less than 4% 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 \$23 a year. The District levied a tax rate of .1226 (per \$100) for 2004. The rate for 2013 was .06820, a reduction of over 44%. 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 for the District. In the fiscal year ended April 30, 2014 receipts for the fund came from Property Taxes (\$412,053), Personal Property Replacement Tax (\$84,221), Interest and Miscellaneous Income (\$918) and Administration Fees (\$480,000) from the other funds. Net position decreased during the fiscal year by \$83,986. Revenues were 104% of budgeted. Expenditures were 89% of budgeted expenses.

#### Proprietary Funds

##### Inter-City Water

Inter-City Water is comprised of a water plant and water distribution system. During the year, 38 wholesale customers purchased 5,243,631,193 gallons at an average price of \$1.78 per thousand gallons. Approximately 1,200 retail customers purchased 183,074,985 gallons at an average price of \$3.55 per thousand gallons. Total sales in the year were up from the prior year by 98 million gallons and \$201,376.

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Wholesale sales increased 99 million gallons. Retail sales were down by more than 1 million gallons. Among retail customers, residential sales were down by 6.6 million gallons, retail commercial sales were down 5.4 million gallons, and miscellaneous other sales were up 10.7 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 \$4,547,345 compared to \$9,292,828 in the prior fiscal year. The District was reimbursed \$7.1 million last year on a project by the ultimate customer. Grant and contribution revenue of \$2.5 million was received in this fiscal year.

Total water sales in this fiscal year surpassed \$10 million and 5.4 billion gallons for the first time in the District's history.

The membrane building addition and the upgrade portion of the plant expansion/upgrade project was completed and placed in service August 31, 2010 at a total cost of \$19,610,942. The membrane expansion is complete, but not placed in service because the District has not accepted the project. After a trial period, the District determined the membrane system increased cost instead of reducing cost. Increased cost resulted from the need for additional unexpected chemicals, the labor intensity of operating the system, and a variety of other issues.

#### **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 \$28,398, after an increase last year of \$138,790. In the last nine years, the fund balance has increased by \$422,640. Cash flow has been negative by \$272,883, due entirely to paying down principal on the long-term debt during the year of \$740,068.

Golf course revenue decreased slightly this year and is still below the level of prior years. Seasons Lodging revenue declined significantly this year and is at the lowest level of the prior ten years. Lease revenue increased slightly with increases in farm rent and the sale from surplus property offsetting the lack of rent from the restaurant and shooting complex. Oil royalty revenue fluctuates with the price of crude.

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.

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**Sewage Treatment System**

Net position increased by \$55,673 after a loss of \$29,139 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 88% 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.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

As of year-end, the District had \$82,940,494 invested in a variety of capital assets and \$15,947,956 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	\$ 1,999,645	\$ 79,453,453	\$ 81,453,098
Land	925,323	562,073	1,487,396
Construction in Progress	-	15,947,956	15,947,956
Accumulated Depreciation	<u>(1,758,526)</u>	<u>(39,439,080)</u>	<u>(41,197,606)</u>
Total	<u>\$ 1,166,442</u>	<u>\$ 56,524,402</u>	<u>\$ 57,690,844</u>

**Debt Outstanding**

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

Regions Equipment Finance Corporation	\$5,373,187
ILEPA	1,097,026

Principal payments of \$1,904,735 were made during the fiscal year. More detailed information regarding long-term debt is in Note I 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.