

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
REND LAKE CONSERVANCY DISTRICT
BENTON, ILLINOIS
For the Year Ended April 30, 2016

REND LAKE CONSERVANCY DISTRICT

For the Year Ended April 30, 2016

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Rend Lake Conservancy District
Benton, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rend Lake Conservancy District, as of and for the year ended April 30, 2016, and the related notes to the financial statements, which collectively comprise Rend Lake Conservancy District's basic 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 opinions 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 entity'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 entity'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rend Lake Conservancy District as of April 30, 2016, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in accordance 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 other 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.

Kerber, Eck & Brueckel LLP

Carbondale, Illinois
September 16, 2016

REND LAKE CONSERVANCY DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS

April 30, 2016

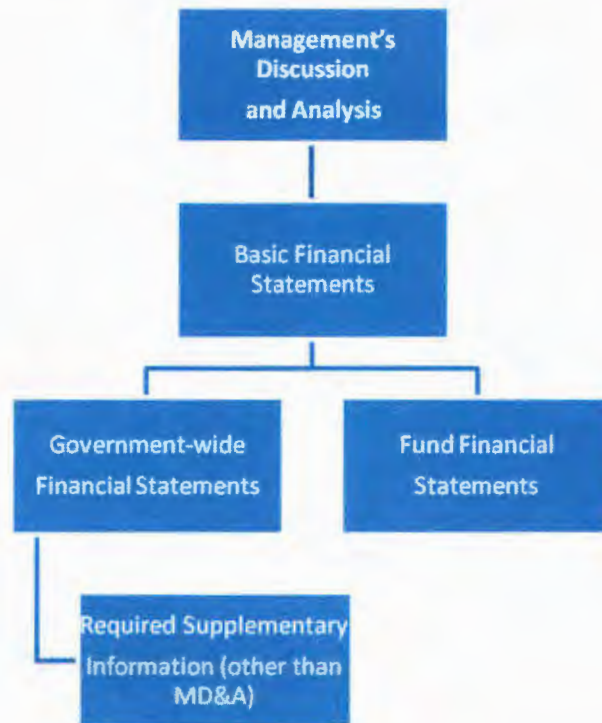
The Rend Lake Conservancy District's (District) discussion and analysis is designed to identify the significant financial issues within the District, provide a summary of the District's financial activity, discuss variances in the District's financial position, and discuss individual fund issues and/or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

This narrative overview and analysis of the financial activities of the District is for the fiscal year ended April 30, 2016. 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

April 30, 2016

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.

REND LAKE CONSERVANCY DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS - CONTINUED

April 30, 2016

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>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and Other Assets	\$ 1,420,262	\$ 1,477,928	\$ 8,314,529	\$ 9,607,631	\$ 9,734,791	\$ 11,085,559
Noncurrent Assets	1,145,236	1,130,874	56,033,451	56,451,408	57,178,687	57,582,282
Deferred Outflows of Resources	<u>199,427</u>	<u>-</u>	<u>720,712</u>	<u>-</u>	<u>920,139</u>	<u>-</u>
Total Assets	<u>2,764,925</u>	<u>2,608,802</u>	<u>65,068,692</u>	<u>66,059,039</u>	<u>67,833,617</u>	<u>68,667,841</u>
Current Liabilities	162,960	303,402	1,152,996	1,445,811	1,315,956	1,749,213
Non-current Liabilities	201,107	-	1,629,298	3,733,615	1,830,405	3,733,615
Deferred Inflows of Resources	<u>359,100</u>	<u>354,100</u>	<u>42,892</u>	<u>43,000</u>	<u>401,992</u>	<u>397,100</u>
Total Liabilities and Deferred Inflows of Resources	<u>723,167</u>	<u>657,502</u>	<u>2,825,186</u>	<u>5,222,426</u>	<u>3,548,353</u>	<u>5,879,928</u>
Net Position:						
Net Investment in Capital Assets	1,141,478	1,127,116	55,059,386	52,326,810	56,200,864	53,453,926
Restricted	-	-	-	-	-	-
Unrestricted	<u>900,280</u>	<u>824,184</u>	<u>7,184,120</u>	<u>8,509,803</u>	<u>8,084,400</u>	<u>9,333,987</u>
Total Net Position	<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>

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 \$74,965 for the governmental activities and \$1,350,900 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, except for \$100,000 borrowed in an interfund loan to purchase golf carts.

REND LAKE CONSERVANCY DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS - CONTINUED

April 30, 2016

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 \$2,934,622.

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 \$3,150,535.

Statement of Activities

The following condensed Statement of Activities for the fiscal year ended April 30, 2016 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>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
REVENUES						
Program Revenues:						
Charges for Services	\$ -	\$ -	\$ 12,114,057	\$ 12,254,522	\$ 12,114,057	\$ 12,254,522
Operating Grants and Contributions	-	-	-	10,206	-	10,206
Capital Grants and Contributions	-	-	191,190	135,913	191,190	135,913
General Revenues:						
Property Taxes	354,057	384,633	38,412	43,782	392,469	428,415
Other Taxes	83,250	82,172	-	-	83,250	82,172
Investment income	16,737	988	54,347	19,457	71,084	20,445
Miscellaneous	29,012	6,636	69,207	80,344	98,219	86,980
Total Revenues	<u>483,056</u>	<u>474,429</u>	<u>12,467,213</u>	<u>12,544,224</u>	<u>12,950,269</u>	<u>13,018,653</u>
EXPENSES						
General Government	1,043,091	1,044,172	-	-	1,043,091	1,044,172
Water	-	-	8,408,901	8,243,903	8,408,901	8,243,903
Recreation	-	-	1,657,278	1,621,175	1,657,278	1,621,175
Sewage	-	-	415,134	426,964	415,134	426,964
Total Expenses	<u>1,043,091</u>	<u>1,044,172</u>	<u>10,481,313</u>	<u>10,292,042</u>	<u>11,524,404</u>	<u>11,336,214</u>
Change in Net Position						
Before Transfers	(560,035)	(569,743)	1,985,900	2,252,182	1,425,865	1,682,439
Transfers	<u>635,000</u>	<u>584,663</u>	<u>(635,000)</u>	<u>(584,663)</u>	<u>-</u>	<u>-</u>
Change in Net Position	74,965	14,920	1,350,900	1,667,519	1,425,865	1,682,439
Prior Period Adjustment	15,493	-	55,993	-	71,486	-
Net Position, Beginning of the Year	<u>1,951,300</u>	<u>1,936,380</u>	<u>60,836,613</u>	<u>59,169,094</u>	<u>62,787,913</u>	<u>61,105,474</u>
Net Position, End of the Year	<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>

REND LAKE CONSERVANCY DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS - CONTINUED

April 30, 2016

OVERALL FINANCIAL POSITION

Results of Operations

Net position increases of \$1,425,865 in this fiscal year and \$1,682,439 in the prior fiscal year continue to improve the financial position of the District. The current year increase included grant revenue and contributions of \$191,190 and the prior year increase included \$146,119. Without the grant revenue, the increase this year would have been \$1,234,675 and the increase last year would have been \$1,536,320. Cash, cash equivalents and investments decreased by \$1,362,661, due mainly to purchases of capital assets and additional principal paid on long-term debt by cash. Investment income increased from \$20,445 last year to \$71,084. The increase can be attributed to aggressive investment choices despite low interest rates.

In the enterprise funds, operating revenues decreased by \$151,602 from the prior year. Operating expenses increased by \$222,255 resulting in a decrease in net operating revenue of \$373,857 compared to the past year. Total non-operating revenue increased by \$107,575 in large part because of the decrease in interest paid and investment earnings in this fiscal year. Grant and contribution revenue was \$191,190 this year and \$146,119 last year. As a result, the change in net position in the enterprise funds was \$316,619 less than it was last year.

Property Taxes

The District's property tax revenue in the fiscal year was \$392,469, 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 \$20 a year. The District levied a tax rate of .1226 (per \$100) for 2004. The rate for 2015 was .05927, a reduction of over 51%. 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, 2016 receipts for the fund came from Property Taxes (\$354,057), Personal Property Replacement Tax (\$83,250), Interest and Miscellaneous Income (\$45,749) and Administration Fees (\$635,000) from the other funds. Net position increased during the fiscal year by \$74,965. Revenues were 104% of budgeted. Expenditures were 97% 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 5,106,431,312 gallons at an average price of \$1.88 per thousand gallons. Approximately 1,200 retail customers purchased 178,030,438 gallons at an average price of \$3.92 per thousand gallons. Total sales in the year were down from the prior year by 110 million gallons, but up by \$71,609.

REND LAKE CONSERVANCY DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS - CONTINUED

April 30, 2016

Wholesale sales decreased by more than 102 million gallons. Retail sales were down more than 8 million gallons. Among retail customers, residential sales were down 1.6 million gallons, retail commercial sales were down 2.9 million gallons, and miscellaneous other sales were down by 3.8 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 \$1,509,736 compared to \$1,584,922 in the prior fiscal year. Grant and contribution revenue of \$191,190 was received in this fiscal year compared to \$146,119 in the prior year.

Total water sales in this fiscal year surpassed \$10 million and 5.2 billion gallons for the third 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 \$218,517, after an increase last year of \$13,354. In the last ten years, the fund balance has increased by \$223,787. Cash flow was negative during the year by \$161,708, due entirely to paying down principal on the long-term debt and purchasing capital assets during the year of \$361,798.

Golf course revenue increased slightly this year, but is still below the level of prior years. Seasons Lodge revenue declined slightly this year and is at the lowest level of the prior ten years. 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.

REND LAKE CONSERVANCY DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS - CONTINUED

April 30, 2016

Sewage Treatment System

Net position increased by \$59,681 compared to an increase of \$69,243 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 96% 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 \$102,655,725 invested in a variety of capital assets and \$1,050,911 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	\$ 2,053,326	\$ 99,115,003	\$ 101,168,329
Land	925,323	562,073	1,487,396
Construction in Progress	-	1,050,911	1,050,911
Accumulated Depreciation	<u>(1,837,171)</u>	<u>(44,704,548)</u>	<u>(46,541,719)</u>
Total	<u>\$ 1,141,478</u>	<u>\$ 56,023,439</u>	<u>\$ 57,164,917</u>

Debt Outstanding

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

ILEPA	\$ 964,053
Interfund loans	\$ 2,942,167

Net principal payments of \$3,150,535 were made during the fiscal year. More detailed information regarding long-term debt is in Note H 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.

BASIC FINANCIAL STATEMENTS

REND LAKE CONSERVANCY DISTRICT

STATEMENT OF NET POSITION

April 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 857,022	\$ 5,749,551	\$ 6,606,573
Investments	-	1,240,000	1,240,000
Accounts receivable:			
Property taxes, net 2015 levy	359,100	38,000	397,100
Customer receivables, net of allowances	-	1,299,078	1,299,078
Due from (to) other funds	129,704	(129,704)	-
Prepaid expenses	74,436	2,500	76,936
Inventory	-	115,104	115,104
Total current assets	1,420,262	8,314,529	9,734,791
Noncurrent assets:			
Land	925,323	562,073	1,487,396
Construction in progress	-	1,050,911	1,050,911
Capital assets, net of depreciation	216,155	54,410,455	54,626,610
Total capital assets	1,141,478	56,023,439	57,164,917
Net OPEB asset	3,758	10,012	13,770
Total noncurrent assets	1,145,236	56,033,451	57,178,687
Total assets	2,565,498	64,347,980	66,913,478
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow - pension resources	199,427	720,712	920,139
Total deferred outflows of resources	199,427	720,712	920,139
Total assets and deferred outflows of resources	\$ 2,764,925	\$ 65,068,692	\$ 67,833,617
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 21,297	\$ 627,351	\$ 648,648
Customer deposits	-	68,661	68,661
Gift certificates outstanding	-	13,960	13,960
Accrued payroll and benefits	34,322	130,203	164,525
Long-term debt, current maturities	-	66,486	66,486
Accrued vacation and sick pay	107,341	246,335	353,676
Total current liabilities	162,960	1,152,996	1,315,956
Noncurrent liabilities:			
Net OPEB obligation	-	4,947	4,947
Net pension liability	201,107	726,784	927,891
Long-term debt, net of current:			
Notes payable	-	897,567	897,567
Total noncurrent liabilities	201,107	1,629,298	1,830,405
Total liabilities	364,067	2,782,294	3,146,361
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - other	-	4,892	4,892
Unearned revenue - property taxes	359,100	38,000	397,100
Total deferred inflows of resources	359,100	42,892	401,992
Total liabilities and deferred inflows of resources	723,167	2,825,186	3,548,353
NET POSITION			
Net investment in capital assets	\$ 1,141,478	\$ 55,059,386	\$ 56,200,864
Unrestricted	900,280	7,184,120	8,084,400
Total net position	\$ 2,041,758	\$ 62,243,506	\$ 64,285,264

The accompanying notes are an integral part of these statements.

REND LAKE CONSERVANCY DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended April 30, 2016

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
FUNCTIONS/PROGRAMS							
Primary government:							
Government activities:							
General government	\$ 1,043,091	\$ -	\$ -	\$ -	\$ (1,043,091)	\$ -	\$ (1,043,091)
Total governmental activities	1,043,091	-	-	-	(1,043,091)	-	(1,043,091)
Business-type							
Water	8,408,901	10,297,885	-	191,190	-	2,080,174	2,080,174
Recreation	1,657,278	1,394,932	-	-	-	(262,346)	(262,346)
Sewage	415,134	421,240	-	-	-	6,106	6,106
Total business -type activities	10,481,313	12,114,057	-	191,190	-	1,823,934	1,823,934
TOTAL	\$ 11,524,404	\$ 12,114,057	\$ -	\$ 191,190	(1,043,091)	1,823,934	780,843
General revenues:							
Property taxes					354,057	38,412	392,469
Personal property replacement taxes					83,250	-	83,250
Investment income					16,737	54,347	71,084
Intergovernmental grant revenue					500	-	500
Miscellaneous					28,512	69,207	97,719
Transfers					635,000	(635,000)	-
Total general revenues and transfers					1,118,056	(473,034)	645,022
Changes in net position					74,965	1,350,900	1,425,865
Net position - beginning as previously stated					1,951,300	60,836,613	62,787,913
Prior period adjustment (Note O)					15,493	55,993	71,486
Net position - beginning as restated					1,966,793	60,892,606	62,859,399
Net position - ending					\$ 2,041,758	\$ 62,243,506	\$ 64,285,264

The accompanying notes are an integral part of these statements.

REND LAKE CONSERVANCY DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS

April 30, 2016

ASSETS

	<u>General Fund</u>
Cash and cash equivalents	\$ 857,022
Receivables	
Property taxes, net, 2015 levy	359,100
Due from other funds	129,704
Prepaid expenses	<u>74,436</u>
Total assets	<u>\$ 1,420,262</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 21,297
Accrued payroll and benefits	<u>34,322</u>
Total current liabilities	<u>55,619</u>

DEFERRED INFLOWS OF RESOURCES

Unavailable revenue - property tax	<u>359,100</u>
Total noncurrent liabilities	<u>359,100</u>
Total liabilities and deferred inflows of resources	<u>414,719</u>

FUND BALANCE

Nonspendable - prepaids	74,436
Unrestricted:	
Unassigned	<u>931,107</u>
	<u>1,005,543</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,420,262</u>

The accompanying notes are an integral part of these statements.

REND LAKE CONSERVANCY DISTRICT

RECONCILIATION OF THE TOTAL GOVERNMENTAL FUND BALANCE
TO THE NET POSITION OF GOVERNMENTAL ACTIVITIES

April 30, 2016

Total fund balance - governmental funds		\$ 1,005,543
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of assets is \$2,978,649 and the accumulated depreciation is \$1,837,171		1,141,478
Deferred outflows of resources related to pensions are applicable to future periods and, therefore are not reported in the governmental fund balance sheet		199,427
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. All liabilities both current and long-term are reported in the statement of net position		
Accrued vacation and sick pay	(107,341)	
Net pension liability	<u>(201,107)</u>	
Total long-term liabilities		(308,448)
The OPEB asset resulting from contributions in excess of the annual required contribution are not financial resources and, therefore, are not reported in the funds		<u>3,758</u>
Net position of governmental activities		<u>\$ 2,041,758</u>

The accompanying notes are an integral part of these statements.

REND LAKE CONSERVANCY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

For the Year Ended April 30, 2016

	<u>General Fund</u>
REVENUES:	
Property taxes	\$ 354,057
Personal property replacement tax	83,250
Investment income	16,737
Intergovernmental revenue	500
Miscellaneous	<u>28,512</u>
Total revenues	<u>483,056</u>
EXPENDITURES:	
General government	<u>1,036,217</u>
Total expenditures	<u>1,036,217</u>
Excess (deficiency) of revenues over expenditures	(553,161)
Other financing sources (uses)	
Administrative support transfer in	<u>635,000</u>
Total other financing sources	<u>635,000</u>
Net change in fund balance	81,839
Fund balance - beginning	<u>923,704</u>
Fund balance - ending	<u>\$ 1,005,543</u>

The accompanying notes are an integral part of these statements.

REND LAKE CONSERVANCY DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended April 30, 2016

Net change in fund balance - total governmental funds	\$ 81,839
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlays	53,681
Depreciation expense	(39,319)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Change in accrued vacation and sick pay	(4,062)
Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	
	(17,174)
The increase in OPEB asset resulting from contributions in excess of the annual required contributions do not require the use of current financial resources and, therefore, is not reported as expenditures in the funds.	
	<u>-</u>
Change in net position of governmental activities	<u>\$ 74,965</u>

The accompanying notes are an integral part of these statements.

REND LAKE CONSERVANCY DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

April 30, 2016

	Business-Type Activities			Total
	Enterprise Funds			
	Inter-City Water System	Recreation	Sewage Treatment System	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 5,610,518	\$ 68,972	\$ 70,061	\$ 5,749,551
Investments	1,240,000	-	-	1,240,000
Receivables				
Property taxes, net, 2015 levy	-	38,000	-	38,000
Customer receivables, net of allowances	918,906	42,379	337,793	1,299,078
Prepaid expenses	2,500	-	-	2,500
Due from other funds	2,812,463	-	-	2,812,463
Inventory	91,981	23,123	-	115,104
Total current assets	10,676,368	172,474	407,854	11,256,696
Noncurrent assets:				
Capital assets				
Land	-	562,073	-	562,073
Construction in progress	1,050,911	-	-	1,050,911
Property, plant and equipment	83,336,792	10,257,416	5,520,795	99,115,003
Less: accumulated depreciation	(33,073,509)	(7,611,490)	(4,019,549)	(44,704,548)
Total capital assets	51,314,194	3,207,999	1,501,246	56,023,439
Net OPEB asset	-	-	10,012	10,012
Total noncurrent assets	51,314,194	3,207,999	1,511,258	56,033,451
Total assets	61,990,562	3,380,473	1,919,112	67,290,147
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension resources	543,077	147,950	29,685	720,712
Total deferred outflows of resources	543,077	147,950	29,685	720,712
Total assets and deferred outflows of resources	\$ 62,533,639	\$ 3,528,423	\$ 1,948,797	\$ 68,010,859
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 582,156	\$ 42,371	\$ 2,824	\$ 627,351
Customer deposits	60,495	1,724	6,442	68,661
Gift certificates outstanding	-	13,960	-	13,960
Due to other funds	-	2,068,612	873,555	2,942,167
Accrued payroll and benefits	91,278	35,906	3,019	130,203
Long-term debt, current maturities	66,486	-	-	66,486
Accrued vacation and sick pay	190,611	48,938	6,786	246,335
Total current liabilities	991,026	2,211,511	892,626	4,095,163
Noncurrent liabilities:				
Net OPEB obligation	2,418	2,529	-	4,947
Net pension liability	547,653	149,196	29,935	726,784
Long-term debt, net of current:				
Notes payable	897,567	-	-	897,567
Total noncurrent liabilities	1,447,638	151,725	29,935	1,629,298
Total liabilities	2,438,664	2,363,236	922,561	5,724,461
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - other	-	4,892	-	4,892
Unavailable revenue - property taxes	-	38,000	-	38,000
Total deferred inflows of resources	-	42,892	-	42,892
Total liabilities and deferred inflows of resources	2,438,664	2,406,128	922,561	5,767,353
NET POSITION				
Net investment in capital assets	\$ 50,350,141	\$ 3,207,999	\$ 1,501,246	\$ 55,059,386
Unrestricted	9,744,834	(2,085,704)	(475,010)	7,184,120
Total net position	\$ 60,094,975	\$ 1,122,295	\$ 1,026,236	\$ 62,243,506

The accompanying notes are an integral part of these statements.

REND LAKE CONSERVANCY DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS

For the Year ended April 30, 2016

	Business-Type Activities			
	Enterprise Funds			
	Inter-City Water System	Recreation	Sewage Treatment System	Total
OPERATING REVENUES				
Charges for services	\$ 10,297,885	\$ 651,674	\$ 421,240	\$ 11,370,799
Hotel income	-	609,784	-	609,784
Lease income	-	133,474	-	133,474
Miscellaneous income	38,200	5,417	25,590	69,207
Total operating revenues	10,336,085	1,400,349	446,830	12,183,264
OPERATING EXPENSES				
Salaries and wages	1,676,065	597,645	82,301	2,356,011
Payroll taxes	139,393	59,159	7,010	205,562
Employee benefits	658,312	129,011	24,823	812,146
Workers compensation	80,769	18,941	3,983	103,693
Uniforms	11,056	-	-	11,056
Depreciation	2,321,031	406,057	168,215	2,895,303
Cost of goods sold	-	20,806	-	20,806
Purification expenses	998,260	-	-	998,260
Bi-product disposal	392,592	-	-	392,592
License and permits	15,274	-	7,500	22,774
Utilities	1,386,694	96,930	82,114	1,565,738
Maintenance	269,857	102,278	23,358	395,493
Meters and mains	110,445	-	7,249	117,694
Machinery and equipment	41,311	6,695	-	48,006
Gas, diesel and oil	42,646	14,090	-	56,736
Charge card fees	-	21,884	-	21,884
Supplies	3,734	15,954	-	19,688
Postage and shipping	8,481	-	-	8,481
Golf course chemicals and fertilizer	-	50,442	-	50,442
Advertising and promotion	-	5,764	-	5,764
Real estate taxes	-	10,793	-	10,793
Insurance	111,075	42,087	1,302	154,464
Other	141,906	44,555	1,385	187,846
Total operating expenses	8,408,901	1,643,091	409,240	10,461,232
Operating income	1,927,184	(242,742)	37,590	1,722,032
NON-OPERATING REVENUES (EXPENSES)				
Investment income	26,362	-	27,985	54,347
Property tax income	-	38,412	-	38,412
Grant income	191,190	-	-	191,190
Interest expense and fees	-	(14,187)	(5,894)	(20,081)
Total non-operating revenues (expenses)	217,552	24,225	22,091	263,868
Change in net position before transfers	2,144,736	(218,517)	59,681	1,985,900
TRANSFERS				
Transfer in	-	-	-	-
Transfer out	(635,000)	-	-	(635,000)
Total transfers	(635,000)	-	-	(635,000)
Change in net position	1,509,736	(218,517)	59,681	1,350,900
Net position - beginning of year as reported	58,543,047	1,329,317	964,249	60,836,613
Prior period adjustment	42,192	11,495	2,306	55,993
Net position - beginning of year as restated	58,585,239	1,340,812	966,555	60,892,606
Net position - ending	\$ 60,094,975	\$ 1,122,295	\$ 1,026,236	\$ 62,243,506

The accompanying notes are an integral part of these statements.

REND LAKE CONSERVANCY DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year ended April 30, 2016

	Inter-City Water System	Recreation	Sewage Treatment System	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 10,381,531	\$ 1,395,641	\$ 202,414	\$ 11,979,586
Payments to suppliers	(3,498,812)	(431,465)	(124,528)	(4,054,805)
Payments to employees	(2,483,973)	(788,220)	(117,657)	(3,389,850)
Net cash from operating activities	<u>4,398,746</u>	<u>175,956</u>	<u>(39,771)</u>	<u>4,534,931</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Operating subsidies received from:				
Property taxes received	-	38,412	-	38,412
Proceeds from interfund accounts	(2,812,463)	2,068,612	814,734	70,883
Transfers in (out)	(635,000)	-	-	(635,000)
Net cash from non-capital financing activities	<u>(3,447,463)</u>	<u>2,107,024</u>	<u>814,734</u>	<u>(525,705)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Grants received	191,190	-	-	191,190
Purchases of capital assets	(2,008,950)	(251,595)	(216,801)	(2,477,346)
Principal paid on long-term debt	(66,486)	(2,178,815)	(905,234)	(3,150,535)
Interest paid on capital debt	-	(14,278)	(5,932)	(20,210)
Net cash from capital and related financing activities	<u>(1,884,246)</u>	<u>(2,444,688)</u>	<u>(1,127,967)</u>	<u>(5,456,901)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of certificates of deposit	(1,240,000)	-	-	(1,240,000)
Interest and dividends received	26,362	-	27,985	54,347
Net cash from investing activities	<u>(1,213,638)</u>	<u>-</u>	<u>27,985</u>	<u>(1,185,653)</u>
Net increase (decrease) in cash and cash equivalents	(2,146,601)	(161,708)	(325,019)	(2,633,328)
Cash and cash equivalents, beginning	<u>7,757,119</u>	<u>230,680</u>	<u>395,080</u>	<u>8,382,879</u>
Cash and Cash equivalents, ending	<u>\$ 5,610,518</u>	<u>\$ 68,972</u>	<u>\$ 70,061</u>	<u>\$ 5,749,551</u>
Reconciliation of operating income to net cash from operating activities				
Operating income	\$ 1,927,184	\$ (242,742)	\$ 37,590	\$ 1,722,032
Adjustments to reconcile income to net cash from operating activities				
Depreciation	2,321,031	406,057	168,215	2,895,303
(Increase) decrease in assets				
Accounts receivable	45,446	(4,708)	(244,416)	(203,678)
Inventories	19,285	8,284	-	27,569
Deferred outflows	(543,077)	(147,950)	(29,685)	(720,712)
(Decrease) increase in liabilities				
Accounts payable	13,674	16,064	(1,620)	28,118
Accrued payroll	(5,751)	(279)	(2,007)	(8,037)
Accrued vacation and sick pay	29,549	4,074	(89)	33,534
Deposits payable	1,560	(726)	-	834
Deferred inflows	-	(26,723)	-	(26,723)
Net pension liability	589,845	160,691	32,241	782,777
Gift certificates payables	-	3,914	-	3,914
Net cash from operating activities	<u>\$ 4,398,746</u>	<u>\$ 175,956</u>	<u>\$ (39,771)</u>	<u>\$ 4,534,931</u>

The accompanying notes are an integral part of these statements.

REND LAKE CONSERVANCY DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended April 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Rend Lake Conservancy District (the District) was legislatively established in 1965 and began operation in 1972. It operates under the control of a Board of Trustees for the purpose of supplying water and recreational facilities to Southern Illinois. The District's accounting policies conform to U.S. generally accepted accounting principles which are appropriate to local governmental units of this type.

The District's reporting entity includes the District's governing board and all related organizations for which the District exercises oversight responsibility.

1. Reporting Entity

In evaluating how to define the financial reporting entity, the District has considered all potential component units. The decision to include or exclude a potential component unit was made by applying the criteria defined by the Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity. The basic criteria for including a potential component unit is the financial accountability of the primary government for the potential component unit. Financial accountability was determined on the basis of authoritative appointments of a voting majority of the potential components unit's board, imposition of its will on the potential component unit, the existence of a financial benefit or burden, fiscal dependency and the designation of management. After applying the above criteria, it was determined that no potential component unit exists which should be considered for inclusion in the reporting entity.

2. Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements (the Statements of Net Position and the Statement of Activities and Changes in Net Position) report information on all the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally rely on taxes for support, are reported separately from business-type activities, which are supported by charges from the public.

The Statement of Net Position presents the assets, liabilities, and net position of the District, which shows the financial condition of the governmental and business-type activities at year-end.

The Statement of Activities demonstrates the degree to which the District expenses of a given function or segment are offset by program revenues. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Depreciation expense is specifically identified by function and is included in the direct expense to each function. Interest expense is also included as a direct expense of the business-type activity that borrowed the funds since the assets purchased by these funds directly relate to the function of this activity. Program revenues include 1) fees and charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

REND LAKE CONSERVANCY DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended April 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Basis of Presentation - Continued

Revenues that are not classified as program revenues, including taxes, are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, such as, payables, receivables, and transfers. All internal balances in the Statement of Net Position have been eliminated except for those representing balances between the government's activities and the business-type activities, which are presented as due to/from and eliminated in the primary government column.

Fund Financial Statements

The fund financial statements provide information about the District's funds. Separate statements are presented for each fund category - governmental and proprietary. The emphasis of fund financial statements is on major funds. Each major fund must be displayed in a separate column. All the District's funds are classified as major funds. The District reports the following major funds.

General Fund - The General Fund is the general administrative fund of the District. The fund consists primarily of general government expenditures funded by tax revenues and management fees allocated to the funds.

The District reports the following proprietary funds:

Inter-City Water System Fund - This fund accounts for the activities of the water plant and water distribution system.

Recreation Fund - This fund is used to report the activities of the golf course, restaurant, lodge, trap field and to account for land the District has not yet developed.

Sewer Treatment System Fund - This fund shows the activities of the sewer treatment plant.

3. Basis of Accounting

Government-wide and Proprietary Fund Financial Statements

The government-wide and proprietary fund financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. The District has classified its revenues in its proprietary funds as either operating or non-operating revenues according to their characteristics.

REND LAKE CONSERVANCY DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended April 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Basis of Accounting - Continued

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal and ongoing operations. Operating revenues include activities that have the characteristics of exchange transactions, such as (1) water and sewer charges, (2) lodge and golf course and (3) rents. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes are considered to be available if collected within 60 days of the fiscal year end.

Personal property replacement taxes are considered to be measurable when they have been collected and allocated by the state and are recognized as revenue at that time. Miscellaneous revenues except investment earnings are recorded as revenues when received because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences are recorded only when payment is due.

The basis of accounting used in preparing the governmental fund financial statements differs from the manner in which the government-wide statements are prepared. Therefore, governmental fund financial statements include a reconciliation of the governmental fund financial statements to the governmental activities presented in the government-wide financial statements.

4. Assets, Liabilities, and Net Position

Cash and Cash Equivalents

The District's cash and cash equivalents consist of cash on hand and short-term investments with original maturities of three months or less from the date of acquisition. Funds invested through the Illinois Funds are combined within the cash classification on the financial statements.

Investments

Investments during the year consisted of certificates of deposit with maturities of three months or more when purchased and are stated at cost, which equals market value.

REND LAKE CONSERVANCY DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended April 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Assets, Liabilities, and Net Position - Continued

Inventories

Inventories for all proprietary funds are stated at cost, determined on the first-in, first-out basis of accounting. Inventories consist of items held for resale and for supplies on hand.

Receivables

The District records its property tax receivable in the amount levied and payable to the District in its next fiscal period. Accounts receivable in the proprietary funds are amounts receivable from customers net of allowance for noncollectible accounts.

Prepaid Expenses

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

Capital Assets

Capital assets include land, land improvements, construction in progress, buildings and improvements, equipment, machinery, and infrastructure. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure include roads, water, sewer and drainage systems.

Purchased or constructed capital assets are recorded at acquisition cost. Contributed capital assets are recorded at fair market value at the time of the contribution. The capitalization threshold for vehicles, machinery and equipment is \$5,000 or greater. Land, buildings and infrastructure costs are capitalized if their cost is \$50,000 or greater. Building improvements and land improvements are capitalized at \$25,000 or greater.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets constructed by the District are capitalized at the time they are completed and placed in to service.

REND LAKE CONSERVANCY DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended April 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Assets, Liabilities, and Net Position - Continued

Capital Assets - Continued

The District's capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Lines and mains	20-50
Buildings	20-50
Land improvements	15-40
Machinery	4-20
Vehicles	4-10
Equipment	4-10
Golf carts	4-8

Compensated Absences

District employees are entitled to certain compensated absences based on the length of employment. Union employees may carryover a maximum of sixty days of vacation time while all other eligible employees are not limited as to what they can carryover. Accrued vacation is payable upon termination. District employees are entitled to five sick days per calendar year and thirty days of unused sick days can be carried forward to the next year. Sick leave time is also payable upon termination. Accumulated vacation and sick leave are accrued when incurred by the District in the government-wide and proprietary fund financial statements. Accumulated vacation and sick leave of the proprietary fund is recorded as an expense and liability of that fund as the benefits accrued to the employees. A liability in the governmental fund is reported only if the benefit has matured.

Fund Balance/Net Position

Government-wide Statements

The District's net position is classified as follows, when applicable:

Net investment in capital assets - This represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted - Restricted net position consist of net positions which are legally restricted by outside parties for a specific purpose. None of the restricted net positions are the result of enabling legislation adopted by the District.

REND LAKE CONSERVANCY DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended April 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Assets, Liabilities, and Net Position - Continued

Unrestricted - Unrestricted net position consist of net positions which do not meet the definition of the preceding categories.

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

Fund Financial Statements

Fund balance is the difference between assets and liabilities in a governmental fund. The District reports a governmental fund's fund balance into the following classifications, when applicable:

Non-spendable - Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted - Resources that are subject to constraints imposed by external parties or enabling legislation.

Unrestricted - Include the following sub-classifications:

Committed - Amounts constrained for specific purposes by the District Board of Trustees through formal action (ordinance or resolution).

Assigned - Amounts that are constrained by the District Board of Trustees to be used for specific purposes, but are neither restricted nor committed.

Unassigned - The residual classification for the general fund.

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available. Additionally, if different levels of unrestricted net funds are available for spending the District considers committed funds to be expended first followed by assigned and then unassigned funds.

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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 position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) 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 position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

REND LAKE CONSERVANCY DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended April 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Interfund Transfers

The District may transfer between funds to pay the administrative expenses as they become due for a specific fund.

7. Management's Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

NOTE B - CASH AND INVESTMENTS

The District has adopted an investment policy to invest in instruments allowed by the Illinois Public Funds Investment Act and other state and federal laws that pertain to the District. The act permits deposits and investments in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreement to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services and Illinois Funds.

It is the policy of the District that investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital, as well as the probable income to be derived.

1. Deposits with Financial Institutions

As of April 30, 2016, a reconciliation of cash and investments as shown on the Statement of Net Position is as follows:

Cash on hand	\$	2,260
Carrying amount of deposits		6,604,313
Carrying amount of investments		<u>1,240,000</u>
Total	\$	<u>7,846,573</u>
Government-wide financial statement of net position:		
Cash	\$	6,606,573
Investments		<u>1,240,000</u>
Total	\$	<u>7,846,573</u>

REND LAKE CONSERVANCY DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended April 30, 2016

NOTE B - CASH AND INVESTMENTS - CONTINUED

1. Deposits with Financial Institutions - Continued

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District requires all cash of the District to be insured by FDIC or investments guaranteed by the full faith and credit of the U.S. Government or the State of Illinois. At April 30, 2016, the carrying value of the District's deposits totaled \$7,846,573 and the bank balances totaled \$8,595,244, of which \$1,328,402 was covered by federal depository insurance, \$5,852,242 was collateralized by pledged bank assets in the District's name, \$1,414,600 was deposited in the Illinois Funds, a state investment pool, and none was uninsured/uncollateralized. Due to the nature of the Illinois Funds, they are included as deposit balances on the balance sheet.

2. Investments

As of April 30, 2016, the District had the following investments and maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>1-3 Years</u>
Certificates of deposit	<u>\$ 1,240,000</u>	<u>\$ 1,240,000</u>

Interest rate risk is the risk that changes in market interest rate will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District's policy is to invest funds for periods that will match fund availability with anticipated needs as closely as possible when taking into account the nature of the funds, the purpose of the funds, and the amount of the funds available for investing. The District limits its exposure to interest rate risk by investing primarily in the Illinois Funds, money market accounts, and certificates of deposits with maturities to have sufficient cash available for all operating purposes.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment policy does not address credit risk, but the District limits its exposure to credit risk by primarily investing in Illinois Funds, certificates of deposits and money market accounts. The most recent money market rating issued by Standard and Poors for the Illinois Funds was AAAM. The certificates of deposit are not rated and are included in deposits with financial institutions.

Illinois Funds (the Fund) is an external investment pool managed by the State of Illinois, Office of the Treasurer, which allows governments within the state to pool their funds for investment purposes. The Fund is exempt from registering with the Securities and Exchange Commission, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in Illinois Funds are valued at Illinois Funds' share price, the price for which the investment is sold.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty of the investment, the District will not be able to recover the value of its investments that are in possession of an outside party. Illinois Funds are not subject to custodial credit risk.

REND LAKE CONSERVANCY DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended April 30, 2016

NOTE B - CASH AND INVESTMENTS - CONTINUED

3. Fair Value Measurement

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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There are three levels of inputs that may be used to measure fair value:

- Level 1 Quoted prices in active markets for identical assets or liabilities.
- Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at April 30, 2016:

<u>Investment Category</u>	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Certificates of deposits	\$ 1,240,000	\$ -	\$ 1,240,000	\$ -

The District's other financial instruments are as follows:

- Cash and cash equivalents
- Accounts receivable
- Accounts payable and accrued expenses

The carrying amount reported in the balance sheet for the financial instruments approximates fair value.

REND LAKE CONSERVANCY DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended April 30, 2016

NOTE C - RECEIVABLES

Receivables as of April 30, 2016 for the District, net of \$191,465 allowance for uncollectible accounts (Business-Type), are as follows:

	Governmental Fund Receivables	Business-Type Receivables	Government-Wide Receivables
Property taxes, net, 2015 levy	\$ 359,100	\$ 38,000	\$ 397,100
Customers, net of allowance	<u>-</u>	<u>1,299,078</u>	<u>1,299,078</u>
Total receivables, net of allowance	<u>\$ 359,100</u>	<u>\$ 1,337,078</u>	<u>\$ 1,696,178</u>

NOTE D - INTERFUND ACTIVITY

Interfund receivable and payable balances at April 30, 2016 consist of:

	Interfund Receivables	Interfund Payables
General Fund:		
Sewage Treatment System Fund	\$ 48,037	\$ -
Recreation Fund	<u>81,667</u>	<u>-</u>
	129,704	-
Inter-City Water System Fund		
Sewage Treatment Fund	825,518	-
Recreation Fund	<u>1,986,945</u>	<u>-</u>
	2,812,463	-
Sewage Treatment System Fund		
General Fund	-	48,037
Inter-City Water System Fund	<u>-</u>	<u>825,518</u>
	-	873,555
Recreation Fund		
General Fund	-	81,667
Inter-City Water System Fund	<u>-</u>	<u>1,986,945</u>
	-	2,068,612
Total	<u>\$ 2,942,167</u>	<u>\$ 2,942,167</u>

REND LAKE CONSERVANCY DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended April 30, 2016

NOTE D - INTERFUND ACTIVITY - CONTINUED

The purposes of the interfund receivable and payable balances are as follows:

- \$48,037 due from the Sewage Treatment System fund to the General fund. This balance relates to the remaining balance of the interfund loan to cover operating expenses. The Sewage Treatment System Fund is making payments of \$980.35 per month under a non-interest bearing note for 60 months.
- \$81,667 due from the Recreation Fund to the General Fund. The original balance of \$100,000 was used to pay for a portion of new golf carts for the Recreation Fund. The note is being paid back over 60 month at \$1,667.67 per month. The note is non-interest bearing.
- \$825,518 due from the Sewage Treatment System Fund to the Inter-City Water Fund. The original balance of \$906,390 was to pay the Inter-City Water Fund back for paying off outside debt of the Sewage Treatment System Fund. The Sewage Treatment System Fund is making payments of \$7,786.20 per month with interest of .6% over 120 months.
- \$1,986,945 due from the Recreation Fund to the Inter-City Water Fund. The original balance of \$2,181,598 was to pay the Inter-City Water Fund back for paying off outside debt of the Recreation Fund. The Recreation Fund is making monthly payments of \$15,675.22 and \$3,065.44 representing two notes for Seasons Lodge and the Golf Pro Shop with interest of .6% over 120 months.

Interfund transfers in and out to other funds at April 30, 2016 consist of the following transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Inter-City Water System Fund	\$ <u>635,000</u>	\$ <u>-</u>
	<u>635,000</u>	<u>-</u>
Inter-City Water System Fund:		
General Fund	<u>-</u>	<u>635,000</u>
	<u>-</u>	<u>635,000</u>
Total interfund transfers	\$ <u>635,000</u>	\$ <u>635,000</u>

The purposes of the interfund transactions are as follows:

- \$635,000 transferred to the General Fund from the Inter-City Water System Fund. This amount relates to transfers for administrative support costs paid to the General Fund. The transfers will not be repaid.

REND LAKE CONSERVANCY DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended April 30, 2016

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2016 was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 925,323	\$ -	\$ -	\$ 925,323
Capital assets being depreciated:				
Building	83,007	-	-	83,007
Machinery and equipment	158,841	53,681	-	212,522
Software	11,882	-	-	11,882
Infrastructure	<u>1,745,915</u>	<u>-</u>	<u>-</u>	<u>1,745,915</u>
Total capital assets being depreciated	1,999,645	53,681	-	2,053,326
Less accumulated depreciation for:				
Buildings	80,439	1,540	-	81,979
Machinery and equipment	144,950	8,590	-	153,540
Software	4,752	1,188	-	5,940
Infrastructure	<u>1,567,711</u>	<u>28,001</u>	<u>-</u>	<u>1,595,712</u>
Total accumulated depreciation	<u>1,797,852</u>	<u>39,319</u>	<u>-</u>	<u>1,837,171</u>
Total capital assets being depreciated, net	<u>\$ 201,793</u>	<u>\$ 14,362</u>	<u>\$ -</u>	<u>\$ 216,155</u>
Total capital assets net of accumulated depreciation	<u>\$ 1,127,116</u>	<u>\$ 14,362</u>	<u>\$ -</u>	<u>\$ 1,141,478</u>

Depreciation expense was charged to functions/programs of the District as follows:

Governmental activities:	
General government	<u>\$ 39,319</u>

REND LAKE CONSERVANCY DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended April 30, 2016

NOTE E - CAPITAL ASSETS - CONTINUED

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 562,073	\$ -	\$ -	\$ 562,073
Construction in progress	<u>454,473</u>	<u>1,699,460</u>	<u>(1,103,022)</u>	<u>1,050,911</u>
Total capital assets not being depreciated	1,016,546	1,699,460	(1,103,022)	1,612,984
Capital assets being depreciated:				
Building	21,786,949	30,264	-	21,817,213
Machinery and equipment	9,269,065	1,839,408	(269,360)	10,839,113
Software	13,934	-	-	13,934
Infrastructure	<u>66,342,031</u>	<u>102,712</u>	<u>-</u>	<u>66,444,743</u>
Total capital assets being depreciated	97,411,979	1,972,384	(269,360)	99,115,003
Less accumulated depreciation for:				
Buildings	16,138,652	498,884	-	16,637,536
Machinery and equipment	4,203,510	550,053	(177,884)	4,575,679
Software	10,033	1,142	-	11,175
Infrastructure	<u>21,634,934</u>	<u>1,845,224</u>	<u>-</u>	<u>23,480,158</u>
Total accumulated depreciation	<u>41,987,129</u>	<u>2,895,303</u>	<u>(177,884)</u>	<u>44,704,548</u>
Total capital assets being depreciated, net	<u>\$ 55,424,850</u>	<u>\$ (922,919)</u>	<u>\$ (91,476)</u>	<u>\$ 54,410,455</u>
Total capital assets net of accumulated depreciation	<u>\$ 56,441,396</u>	<u>\$ 776,541</u>	<u>\$ (1,194,498)</u>	<u>\$ 56,023,439</u>

REND LAKE CONSERVANCY DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended April 30, 2016

NOTE E - CAPITAL ASSETS - CONTINUED

Depreciation expense was charged to functions/programs of the District as follows:

Business-type activities:	
Water	\$ 2,321,031
Recreation	406,057
Sewer	<u>168,215</u>
Total depreciation	<u>\$ 2,895,303</u>

NOTE F - PROPERTY TAXES

The following are the tax rates permitted per \$100 of assessed valuation and the actual amount levied.

	Maximum Rate	2015 Levy	Maximum Rate	2014 Levy
Corporate	0.375	\$ 349,100	0.375	\$ 332,500
IMRF	<u>N/A</u>	<u>48,000</u>	<u>N/A</u>	<u>64,600</u>
		<u>\$ 397,100</u>		<u>\$ 397,100</u>

The 2015 taxes are intended to finance the 2017 fiscal year and are not considered available for current operations, and are, therefore, shown as unearned/available revenue. The 2016 tax levy has not been recorded as a receivable at April 30, 2016. Although the tax attached as a lien on property as of January 1, 2016, the tax will not be levied until August 2016, and, accordingly, is not measurable at April 30, 2016.

The District's property tax is levied each year on all taxable real property located in the District on or before the second Tuesday of August. Property taxes attach as an enforceable lien on property as of January 1 and are payable in two installments in July through November of the following year.

NOTE G - RISK MANAGEMENT

The District is exposed to various risks of loss including, but not limited to general liability, worker's compensation and property casualty. To insure against such losses, the district participates in the Illinois Parks Association Risk Services (IPARS), a public entity risk pool with transfers of risk. The District pays an annual premium to IPARS for its coverage. The District is liable for up to \$1,000/year deductible for property damage. Employee health risks are insured through the purchase of a commercial insurance plan. No significant reduction in insurance coverage from the prior year occurred. Insurance settlements did not exceed coverage in any of the past three fiscal years.

REND LAKE CONSERVANCY DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended April 30, 2016

NOTE H - LONG-TERM DEBT

Notes Payable

The District had the following notes payable at April 30, 2016:

Note payable to Illinois Environmental Protection Agency, to finance Marion water connection; currently a construction loan with a maximum loan amount of \$1,728,647; repayment period started October 2011 and calls for semi-annual payments including interest at 0.0%; matures October 2030; secured by Inter-City Water fund water sales revenues

\$ 964,053

Total notes payable

\$ 964,053

Maturities of notes payable are as follows:

<u>April 30</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2017	\$ -	\$ 66,486	\$ 66,486
2018	-	66,486	66,486
2019	-	66,486	66,486
2020	-	66,486	66,486
2021	-	66,486	66,486
2022-2026	-	332,432	332,432
2027-2031	-	299,191	299,191
	<u>\$ -</u>	<u>\$ 964,053</u>	<u>\$ 964,053</u>

REND LAKE CONSERVANCY DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended April 30, 2016

NOTE H - LONG-TERM DEBT - CONTINUED

Interest expense incurred for the year April 30, 2016 was \$ 20,081 which was included as a direct function expense in the Statement of Activities.

Governmental Activities	Balance 4/30/2015	Additions	Reductions	Balance 4/30/2016	Amounts due within 1 year
Net pension liability	\$ (15,493)	\$ 315,368	\$ 98,768	\$ 201,107	\$ -
Accrued vacation and sick pay*	<u>103,278</u>	<u>107,341</u>	<u>103,278</u>	<u>107,341</u>	<u>107,341</u>
	<u>\$ 87,785</u>	<u>\$ 422,709</u>	<u>\$ 202,046</u>	<u>\$ 308,448</u>	<u>\$ 107,341</u>

* Due to limitations, gross amounts for additions and reductions are not readily available. Net changes are shown above.

Business-Type Activities	Balance 4/30/2015	Additions	Reductions	Balance 4/30/2016	Amounts due within 1 year
Net pension liability	\$ (55,993)	\$ 1,132,953	\$ 350,176	\$ 726,784	\$ -
Notes payable	4,114,588	-	3,150,535	964,053	66,486
Net OPEB obligation	4,947	-	-	4,947	-
Accrued vacation and sick pay*	<u>212,801</u>	<u>246,335</u>	<u>212,801</u>	<u>246,335</u>	<u>246,335</u>
Total long-term liabilities	<u>\$ 4,276,343</u>	<u>\$ 1,379,288</u>	<u>\$ 3,713,512</u>	<u>\$ 1,942,119</u>	<u>\$ 312,821</u>

NOTE I - PLEDGED REVENUES

The District has pledged future water customer revenues to repay the \$1,728,647 Illinois Environmental Protection Agency Note through fiscal year 2031. Annual principal payments on the bonds are expected to require less than 1 percent of customer revenues.

REND LAKE CONSERVANCY DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended April 30, 2016

NOTE J - PENSION PLAN

Illinois Municipal Retirement Fund

IMRF Plan Description

The District's defined benefit pension plans for employees provide retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The District's plans are managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of these financial statements. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at www.imrf.org.

Benefits Provided

IMRF has three benefit plans. The vast majority of IMRF members including the District, participate in the Regular Plan (RP).

All three IMRF benefit plans have two tiers. Employees hired *before* January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

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 employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the *lesser* of:

- 3% of the original pension amount, or
- 1/2 of the increase in the Consumer Price Index of the original pension amount.

REND LAKE CONSERVANCY DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended April 30, 2016

NOTE J - PENSION PLAN - CONTINUED

Regular Personnel (Non-SLEP)

Members Covered by Benefit Terms-Regular Plan

As of December 31, 2015, the following members were covered by the benefit terms:

	<u>IMRF</u>
Retirees and Beneficiaries currently receiving benefits	51
Inactive Plan Members entitled to but not yet receiving benefits	47
Active Plan Members	<u>49</u>
Total	147

Contributions

As set by statute, the District's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The District's contributions for disability benefits, death benefits, and supplemental retirement benefits are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability

The District's net pension liability was measured as of December 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2015:

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Price Inflation** 2.75%.
- **Salary Increases** were expected to be 3.75% to 14.50%, including inflation.
- The **Investment Rate of Return** was assumed to be 7.49%.
- **Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013.

REND LAKE CONSERVANCY DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended April 30, 2016

NOTE J - PENSION PLAN - CONTINUED

Actuarial Assumptions - Continued

- The IMRF-specific rates for **Mortality Non-Disabled Retirees** an IMRF specific mortality table was used with fully generational projection scale MR-2014 (base year 2014). The 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 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For **Active Members**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Other Information

There were no benefit changes during the year. A detailed description of the actuarial assumptions and methods can be found in the December 31, 2015 Illinois Municipal Retirement Fund Annual Actuarial Valuation Report.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study dated April 15, 2016 for the period January 1, 2015 through December 31, 2015. As a result of the December 31, 2015 actuarial experience study, new assumptions for the assumed rate of return, salary increase, inflation and related economic assumptions were adopted in the December 31, 2015 actuarial valuation to more closely reflect actual experience.

Single Discount Rate

A Single Discount Rate of 7.49% was used to measure the total pension liability. The projection of cash flows used to determine the Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that County contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.57%, and the resulting single discount rate is 7.49%.

REND LAKE CONSERVANCY DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended April 30, 2016

NOTE J - PENSION PLAN - CONTINUED

Changes in the Net Pension Liability

	Total Pension Liability <u>(A)</u>	Plan Fiduciary Net Position <u>(B)</u>	Net Pension Liability (Asset) <u>(A) - (B)</u>
Balances at December 31, 2014	\$ 14,278,169	\$ 14,349,655	\$ (71,486)
Changes for the year:			
Service Cost	270,087	-	270,087
Interest on the Total Pension Liability	1,059,602	-	1,059,602
Changes of Benefit Terms	-	-	-
Differences between Expected and Actual Experience of the Total Pension Liability	(19,948)	-	(19,948)
Changes of Assumptions	16,993	-	16,993
Contributions - Employer	-	245,427	(245,427)
Contributions - Employees	-	112,352	(112,352)
Net Investment Income	-	71,217	(71,217)
Benefit Payments, including Refunds of Employee Contributions	(570,377)	(570,377)	-
Other (Net Transfer)	-	(101,639)	101,639
Net Changes	<u>756,357</u>	<u>(243,020)</u>	<u>999,377</u>
Balances at December 31, 2015	<u>\$ 15,034,526</u>	<u>\$ 14,106,635</u>	<u>\$ 927,891</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.49%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	1% Lower <u>6.49%</u>	Current Discount <u>7.49%</u>	1% Higher <u>8.49%</u>
Net Pension Liability	\$ 2,766,200	\$ 927,891	\$ (584,944)

REND LAKE CONSERVANCY DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended April 30, 2016

NOTE J - PENSION PLAN - CONTINUED

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2015, the District recognized pension expense of \$326,592. At April 30, 2016, the District reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

Deferred Amounts Related to Pensions	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net Deferred Outflows of Resources</u>
Deferred Amounts to be Recognized in Pension Expense in Future Periods			
Differences between expected and actual experience	\$ -	\$ (14,293)	\$ (14,293)
Changes of assumptions	12,176	-	12,176
Net difference between projected and actual earnings on pension plan investments	<u>794,578</u>	<u>-</u>	<u>794,578</u>
Total Deferred Amounts to be recognized in pension expense in future periods	806,754	(14,293)	792,461
Pension Contributions made subsequent to the Measurement Date	<u>127,678</u>	<u>-</u>	<u>127,678</u>
Total Deferred Amounts Related to Pensions	<u>\$ 934,432</u>	<u>\$ (14,293)</u>	<u>\$ 920,139</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

<u>Year Ending December 31</u>	<u>Net Deferred Outflows of Resources</u>	<u>Net Deferred Inflows of Resources</u>
2016	\$ 201,381	\$ (3,574)
2017	201,380	(3,573)
2018	201,777	(3,573)
2019	202,216	(3,573)
2020	-	-
Thereafter	-	-
Total	<u>\$ 806,754</u>	<u>\$ (14,293)</u>

REND LAKE CONSERVANCY DISTRICT
 NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended April 30, 2016

NOTE K - OTHER POST-EMPLOYMENT BENEFITS

Plan Description

In addition to providing the pension benefits described, the District provides post-employment health care and life insurance benefits (OPEB) for retirement employees through a single employer defined benefit plan. 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 and union contracts, except for the implicit subsidy which is governed by the State Legislature and ILCS. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report.

Benefits Provided

The District provides continued health insurance coverage at the blended employer rate to all eligible retirees 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 insure provider.

Membership

At May 1, 2012 (latest information available), membership consisted of:

Retirees and beneficiaries currently receiving benefits	5
Terminated employees entitled to benefits but not yet receiving them	-
Active vested plan members	23
Active nonvested plan members	<u>18</u>
Total	<u>46</u>
Participating employers	<u>1</u>

Funding Policy

The District negotiates the contribution percentages between the District and employees through the union contracts and personnel policy. All retirees contribute 100% of the blended premium to the plan and the District contributes the remainder to cover the cost of providing the benefits to the retirees via the insured plan (pay as you go). For the fiscal year ended April 30, 2016, retirees contributed \$22,192 and the District contributed \$3,725.

REND LAKE CONSERVANCY DISTRICT
 NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended April 30, 2016

NOTE K - OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Annual OPEB costs and Net OPEB Obligation

The District had an actuarial valuation performed for the plan as of May 1, 2012 to determine the employer's annual required contribution (ARC) for the fiscal year ended April 30, 2014. Because the District has fewer than 200 participants, a valuation is performed every three years in accordance with GAAP. The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2013 and 2014 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
April 30, 2014	\$ 9,389	\$ 14,184	151.07%	\$ (8,823)
April 30, 2013	\$ 9,389	\$ 14,184	151.07%	\$ (8,823)

The net OPEB obligation (NOPEBO) as April 30, 2014 (latest information available), was calculated as follows:

Annual required contribution	\$ 9,456
Interest on net OPEB obligation	(201)
Adjustment to annual required contribution	<u>134</u>
Annual OPEB cost	9,389
Contributions made	<u>(14,184)</u>
Increase (decrease) in net OPEB obligation	(4,795)
Net OPEB obligation beginning of year	<u>(4,028)</u>
Net OPEB Obligation End of Year	<u><u>\$ (8,823)</u></u>

Funded Status and Funding Progress. The funded status of the plan as of May 1, 2012 (latest information available), was as follows:

Actuarial accrued liability (AAL)	\$ 152,124
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 152,124
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 2,454,499
UAAL as percentage of covered payroll	6.20%

REND LAKE CONSERVANCY DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended April 30, 2016

NOTE K - OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Annual OPEB costs and Net OPEB Obligation - Continued

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the May 1, 2012 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5.00% interest rate assumption and an annual healthcare cost trend rate of 8.00% initially, reduced to an ultimate rate of 6.00%. The actuarial value of assets was not determined as the District has not advanced funded its obligation. The plan's unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis. The remaining amortization period at April 30, 2014, was 30 years.

NOTE L - CONTINGENCIES

Federal Unused Water Supply Payments

Under Public Law 102-580, the Water Resources Development Act of 1992, directed the secretary of the Army to conduct a study to determine whether to relieve the State of Illinois and the District from the requirement to make annual payments for the unused water supply in Rend Lake to the Federal Government. The State of Illinois is liable for half of this payment and the District for the other half.

Recently, the US Army Corps of Engineers (ACOE) has started billing the State of Illinois Department of Natural Resources (IDNR) and the District for the Unused Water Supply Payments. IDNR and the District have withheld paying the bills from ACOE due to disputed charges.

ACOE then utilized the process of off-setting federal funding to the State to recover the charges. IDNR attorneys have begun the formal process to contest the billing and requested the District to go ahead and pay the bill while IDNR works with the ACOE to resolve their dispute. The District made their first payment in October 2014 in the amount of \$204,000.

REND LAKE CONSERVANCY DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended April 30, 2016

NOTE L - CONTINGENCIES - CONTINUED

Threatened and Pending Litigation

- A Village filed a lawsuit against the District seeking a court order that the District's contract with a larger municipality is void or invalid as it pertains to the larger municipality having the prior right over the District to sell treated water to the Village. The District intends to vigorously defend. The case is in the appeal phase. The outcome of this case is unknown at April 30, 2016.
- The District filed a suit against a City for under-payment of its account. The City counter-claimed against the District claiming that the District breached its contract by allowing a meter to become faulty. The City claims years of being charged for water it did not receive. The District intends to vigorously prosecute its claim and defend against the City's claim. The outcome of this case is unknown at April 30, 2016.
- The District filed a suit against a manufacturing company for breach of contract regarding the sale of faulty equipment. The company counter-claimed against the District claiming that the District is withholding payments. The District intends to vigorously prosecute its claim and defend against the company's claim. The outcome of this case is unknown at April 30, 2016.

NOTE M - COMMITMENTS

The District has several construction contract commitments relating to capital projects in the Inter-City Water System Fund. The total outstanding construction commitments of the District as of April 30, 2016 are \$209,288.

NOTE N - LEASING ACTIVITIES

The District leases various parcels of land for farming and residential apartments and for a shooting complex facility.

Minimum future rental income to be received under operating leases is as follows:

Year ended April 30,	
2017	10,460
2018	10,774
2019	11,097
2020	11,430
2021	<u>11,773</u>
Total	<u>\$ 55,534</u>

REND LAKE CONSERVANCY DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended April 30, 2016

NOTE O - CHANGE IN ACCOUNTING PRINCIPAL AND PRIOR PERIOD ADJUSTMENT

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* in fiscal year 2016. This Statement establishes standards for measure and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The Statement also requires enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope.

The implementation of GASB Statement No. 68 had the following effect:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net position, April 30, 2015	\$ 1,951,300	\$ 60,836,613
Prior period adjustment:		
Implementation GASB 68		
Net pension asset (measurement date 12/31/14)	<u>15,493</u>	<u>55,993</u>
Total prior period adjustment	<u>15,493</u>	<u>55,993</u>
Restated net position, April 30, 2015	<u>\$ 1,966,793</u>	<u>\$ 60,892,606</u>

NOTE P - SUBSEQUENT EVENT

Management evaluated all events and transactions that occurred after April 30, 2016 through September 16, 2016, the issue date of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

REND LAKE CONSERVANCY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
MULTIYEAR SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
IMRF REGULAR PLAN
LAST 10 CALENDAR YEARS

Calendar year ending December 31,	<u>2015</u>
Total Pension Liability	
Service Cost	\$ 270,087
Interest on the Total Pension Liability	1,059,602
Benefit Changes	-
Difference between Expected and Actual Experience	(19,948)
Assumption Changes	16,993
Benefit Payments and Refunds	<u>(570,377)</u>
Net Change in Total Pension Liability	756,357
Total Pension Liability - Beginning	<u>14,278,169</u>
Total Pension Liability - Ending (a)	<u>\$ 15,034,526</u>
Plan Fiduciary Net Position	
Employer Contributions	\$ 245,427
Employee Contributions	112,352
Pension Plan Net Investment Income	71,217
Benefit Payments and Refunds	(570,377)
Other	<u>(101,639)</u>
Net Change in Plan Fiduciary Net Position	(243,020)
Plan Fiduciary Net Position - Beginning	<u>14,349,655</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 14,106,635</u>
Net Pension Liability/(Asset) - Ending (a) - (b)	927,891
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	93.83%
Cover Valuation Payroll	\$ 2,496,712
Net Pension Liability as a Percentage of Covered Valuation Payroll	37.16%

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

REND LAKE CONSERVANCY DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 MULTIYEAR SCHEDULE OF CONTRIBUTIONS
 LAST 10 CALENDAR YEARS

Calendar Year Ending December 31,	Actuarially Determined Contribution	IMRF - Regular Plan			Actual Contribution as a % of Covered Valuation Payroll
		Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	
2015	\$ 245,427	* \$ 245,427	\$ -	\$ 2,496,712	9.83%

* Estimated based on contribution rate of 9.83% and covered valuation payroll of \$2,496,712

Notes to Schedule:

Summary Actuarial Methods and Assumptions Used in the Calculation of the 2015 Contribution Rate**

Valuation Date:

Notes

Actuarially determined contribution rates are calculated as of December 31 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine 2015 Contribution Rates:

Actuarial Cost Method: Aggregate entry age normal
 Amortization Method: Level percentage of payroll, closed
 Remaining Amortization Period: Non-Taxing bodies: 10-year rolling period
 Taxing bodies (Regular, SLEP and ECO groups): 28-year closed period until remaining period reaches 15 years (then 15-year rolling period).
 Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI.
 SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 23 years for most employers (two employers were financed over 32 years).
 Asset Valuation Method: 5-year smoothed market; 20% corridor
 Wage Growth: 4.00%
 Price Inflation: 3.0%—approximate; No explicit price inflation assumption is used in this valuation.
 Salary Increases: 4.40% to 16.00% including inflation
 Investment Rate of Return: 7.50%
 Retirement Age: Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2011 valuation pursuant to an experience study of the period 2008 - 2010.
 Mortality: RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men 120% of the table rates were used. For women 92% of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

Other Information:

Notes

There were no benefit changes during the year.

** Based on Valuation Assumptions used in the December 31, 2013 actuarial valuation

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

REND LAKE CONSERVANCY DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 OTHER POST-EMPLOYMENT BENEFIT PLAN

For the Year ended April 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/(c))
4/30/2016	N/A	N/A	N/A	N/A	N/A	N/A
4/30/2015	N/A	N/A	N/A	N/A	N/A	N/A
4/30/2014	N/A	N/A	N/A	N/A	N/A	N/A
4/30/2013	N/A	N/A	N/A	N/A	N/A	N/A

N/A Information is not available as an actuarial valuation was not performed

The District implemented GASB Statement no. 45 for the fiscal year ended April 30, 2012. Information for prior years is not available and the District did not have an actuarial valuation performed as of April 30, 2016.

The accompanying notes are an integral part of these statements.

REND LAKE CONSERVANCY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POST-EMPLOYMENT BENEFITS PLAN

For the Year ended April 30, 2016

<u>Year Ending</u>	<u>Employer Contributions</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage Contributed</u>
04/30/16	\$ 3,725	\$ 9,456	39.02%
04/30/15	\$ 25,991	\$ 9,456	274.86%
04/30/14	\$ 14,184	\$ 9,456	150.00%
04/30/13	\$ 14,184	\$ 9,456	150.00%

The accompanying notes are an integral part of these statements.

REND LAKE CONSERVANCY DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND

For the Year ended April 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 354,100	\$ 354,100	\$ 354,057	(43)
Personal property replacement tax	75,000	75,000	83,250	8,250
Investment income	5,900	5,900	16,737	10,837
Intergovernmental revenue	-	-	500	500
Miscellaneous	-	-	28,512	28,512
Total revenues	<u>435,000</u>	<u>435,000</u>	<u>483,056</u>	<u>48,056</u>
EXPENDITURES				
General Government	<u>1,069,865</u>	<u>1,069,865</u>	<u>1,036,217</u>	<u>33,648</u>
Total expenditures	<u>1,069,865</u>	<u>1,069,865</u>	<u>1,036,217</u>	<u>33,648</u>
Excess (Deficiency) of revenue over expenditures	<u>(634,865)</u>	<u>(634,865)</u>	<u>(553,161)</u>	<u>81,704</u>
Other financing sources (uses)				
Administrative support transfer in	<u>635,000</u>	<u>635,000</u>	<u>635,000</u>	<u>-</u>
Total other financing sources	<u>635,000</u>	<u>635,000</u>	<u>635,000</u>	<u>-</u>
Net change in fund balance	135	135	81,839	81,704
Fund balance - beginning	<u>923,704</u>	<u>923,704</u>	<u>923,704</u>	<u>-</u>
Fund balance - ending	<u>\$ 923,839</u>	<u>\$ 923,839</u>	<u>\$ 1,005,543</u>	<u>\$ 81,704</u>

The accompanying notes are an integral part of these statements.

REND LAKE CONSERVANCY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended April 30, 2016

1. BUDGETARY DATA

A. Basis of Budgeting

The Board of Trustees legally enact the budget through passage of an ordinance which is developed on the modified accrual basis of accounting for the General Fund and the accrual basis of accounting for the Proprietary Funds. The District has adopted an annual budget for all funds.

The budgets are prepared by detailed line-item. Revenues are budgeted by their source. Expenditures are budgeted by expenditure line item. The fund level budget is the District's legal level of control. All budget revisions must be approved by the Board. The budget lapses at year end.

