

REND LAKE CONSERVANCY DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS - CONTINUED

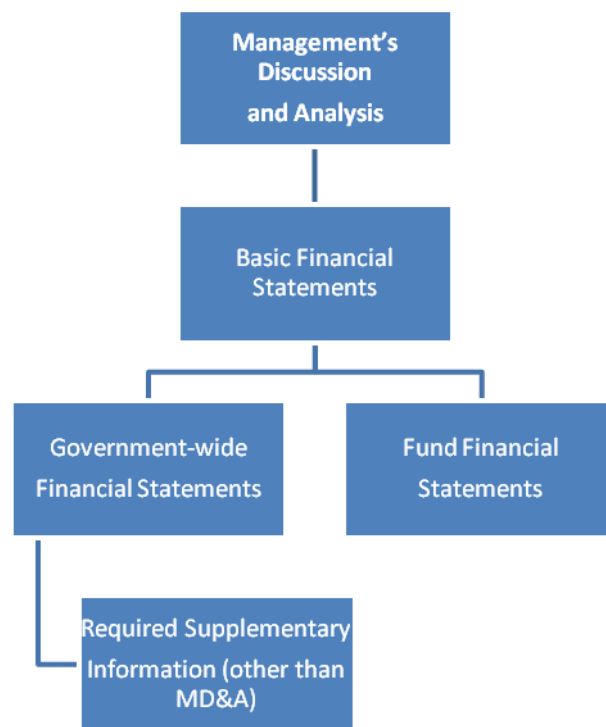
April 30, 2025

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

This narrative overview and analysis of the financial activities of the District is for the fiscal year ended April 30, 2025. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

USING THIS REPORT

The following chart is provided for your review:



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

OVERVIEW OF FINANCIAL STATEMENTS

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

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Government-wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

Notes to the Financial Statements

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

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Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information providing a schedule of changes in net pension liability and related ratios, a schedule of changes in the total OPEB liability and related ratios, a schedule of pension contributions, and 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>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Current and Other Assets	\$ 2,256,034	\$ 2,450,705	\$ 30,976,577	\$ 27,565,114	\$ 33,232,611	\$ 30,015,819
Noncurrent Assets	1,547,197	1,241,206	47,341,564	46,057,940	48,888,761	47,299,146
Deferred Outflows of Resources	<u>620,445</u>	<u>759,745</u>	<u>1,953,926</u>	<u>2,454,592</u>	<u>2,574,371</u>	<u>3,214,337</u>
Total Assets	<u>4,423,676</u>	<u>4,451,656</u>	<u>80,272,067</u>	<u>76,077,646</u>	<u>84,695,743</u>	<u>80,529,302</u>
Current Liabilities	129,116	89,257	906,188	1,147,349	1,035,304	1,236,606
Noncurrent Liabilities	139,529	95,853	669,715	689,398	809,244	785,251
Deferred Inflows of Resources	<u>327,481</u>	<u>404,675</u>	<u>2,347,716</u>	<u>1,458,273</u>	<u>2,675,197</u>	<u>1,862,948</u>
Total Liabilities and Deferred Inflows of Resources	<u>596,126</u>	<u>589,785</u>	<u>3,923,619</u>	<u>3,295,020</u>	<u>4,519,745</u>	<u>3,884,805</u>
Net Position:						
Net Investment in Capital Assets	1,173,725	1,235,056	45,829,601	45,598,809	47,003,326	46,833,865
Restricted	-	-	1,010,816	-	1,010,816	-
Unrestricted	<u>2,653,825</u>	<u>2,626,815</u>	<u>29,508,031</u>	<u>27,183,817</u>	<u>32,161,856</u>	<u>29,810,632</u>
Total Net Position	<u>\$ 3,827,550</u>	<u>\$ 3,861,871</u>	<u>\$ 76,348,448</u>	<u>\$ 72,782,626</u>	<u>\$ 80,175,998</u>	<u>\$ 76,644,497</u>

Normal Impacts

There are four basic transactions that will affect the Statement of Net Position 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 (\$34,321) for the governmental activities and \$3,565,822 for the business-type activities.

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

Reduction of Capital Assets through Depreciation - Depreciation will reduce capital assets and investment in capital assets, net of debt. Depreciation expense in this fiscal year was \$27,408 for governmental activities and \$2,661,277 for business-type activities.

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MANAGEMENT DISCUSSION AND ANALYSIS - CONTINUED

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Principal Payment on Debt Secured by Capital Assets - Debt payments will (a) reduce current assets and liabilities and (b) reduce unrestricted net assets and increase investment in capital assets, net of debt. Principal paid on notes payable in this fiscal year was \$66,486.

Statement of Activities

The following condensed Statement of Activities for the fiscal years ended April 30, 2025 and April 30, 2024 displays the revenues and expenses for the fiscal years.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
REVENUES						
Program Revenues:						
Charges for Services	\$ -	\$ -	\$ 16,392,216	\$ 15,093,049	\$16,392,216	\$ 15,093,049
Operating Grants and Contributions	-	-	39,494	127,236	39,494	127,236
Capital Grants and Contributions	-	-	-	-	-	-
General Revenues:						
Property Taxes	465,944	372,795	122,227	83,512	588,171	456,307
Other Taxes	118,809	232,270	-	-	118,809	232,270
Investment income	10,949	87,302	1,205,151	1,038,345	1,216,100	1,125,647
Miscellaneous	3,510	3,953	57,324	186,384	60,834	190,337
Total Revenues	<u>599,212</u>	<u>696,320</u>	<u>17,816,412</u>	<u>16,528,526</u>	<u>18,415,624</u>	<u>17,224,846</u>
EXPENSES						
General Government	1,104,820	1,272,704	-	-	1,104,820	1,272,704
Water	-	-	10,429,553	10,456,688	10,429,553	10,456,688
Recreation	-	-	2,969,223	2,409,873	2,969,223	2,409,873
Sewage	-	-	380,527	504,674	380,527	504,674
Total Expenses	<u>1,104,820</u>	<u>1,272,704</u>	<u>13,779,303</u>	<u>13,371,235</u>	<u>14,884,123</u>	<u>14,643,939</u>
Change in Net Position						
Before Transfers	(505,608)	(576,384)	4,037,109	3,157,291	3,531,501	2,580,907
Transfers	<u>471,287</u>	<u>797,374</u>	<u>(471,287)</u>	<u>(797,374)</u>	<u>-</u>	<u>-</u>
Change in Net Position	(34,321)	220,990	3,565,822	2,359,917	3,531,501	2,580,907
Net Position, Beginning of the Year	<u>3,491,481</u>	<u>3,388,726</u>	<u>72,716,047</u>	<u>69,902,700</u>	<u>76,207,528</u>	<u>73,291,426</u>
Prior Period Adjustment		(118,235)		453,430		335,195
Change in Accounting Principle (GASB 101)	(9,610)		(33,421)		(43,031)	
Error Corrections	380,000		100,000		480,000	
Net Position, End of the Year	<u>\$ 3,827,550</u>	<u>\$ 3,491,481</u>	<u>\$ 76,348,448</u>	<u>\$ 72,716,047</u>	<u>\$ 80,175,998</u>	<u>\$ 76,207,528</u>

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OVERALL FINANCIAL POSITION

Results of Operations

The net position increase of \$3,531,501 in this fiscal year compared to the net position increase of \$2,580,907 in the prior fiscal year was due to a combination of higher water sales, and operating the Golf Complex restaurant in-house. Cash, cash equivalents, and investments increased by \$1,961,267. Investment income increased from \$1,125,647 last year to \$1,216,100. The increase can be attributed to much higher interest rates all year, along with the District investing more in CDARS.

In the enterprise funds, operating revenues increased by \$1,299,167 from the prior year largely due to in-house restaurant operations. Operating expenses increased by \$408,068, resulting in an increase in net operating revenue of \$891,099 compared to the past year. Total non-operating revenue decreased by (\$11,281) in large part because of less grant revenue received compared to prior year. The District received \$39,494 in grant and contribution revenue this year for Lead Service Line Inventory of the water system. As a result, the change in net position in the enterprise funds, before interfund transfers, was \$879,818 more than it was last year.

Property Taxes

The District's property tax revenue in the fiscal year was \$588,171, just over 3% of the District's total revenue. On the most recent levy, the District's tax for a property with a fair market value of \$100,000 amounted to only \$51 a year. The District levied a tax rate of .1226 (per \$100) for 2004. The rate for 2024 will be .0478, a reduction of over 61%. The District's success in reducing property taxes is even more impressive when compared to other taxing bodies.

THE DISTRICT'S FUNDS

Governmental Fund

The District has only one governmental fund. It is the administrative fund. In the fiscal year ended April 30, 2025, receipts for the fund came from Property Taxes (\$465,944), Personal Property Replacement Tax (\$118,809), Interest and Miscellaneous Income (\$14,459) and Administration Fees (\$471,287) from the other funds. The fund balance decreased during the fiscal year by \$34,321. Revenues were 39% of the budgeted number due to interest being recorded in the fund which it was earned. Expenditures were 86% of budgeted expenses.

Proprietary Funds

Inter-City Water

Inter-City Water is comprised of a water plant and water distribution system. During the year, 37 wholesale customers purchased 4,964,038,185 gallons at an average price of \$2.44 per thousand gallons. Approximately 1,450 retail customers purchased 92,947,391 gallons at an average price of \$7.48 per thousand gallons. Total sales in the year were up from the prior year by 147 million gallons and up by \$806,999.

Wholesale sales increased by more than 145 million gallons. Retail sales increased more than 1.7 million gallons. Weather can affect future prospects. A wet year could cause sales volume to decrease, while a drought year could increase sales volume.

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Net position, before interfund transfers out, increased during the fiscal year by \$3,534,180 compared to an increase of \$2,814,605 in the prior fiscal year. The District received \$39,494 in grant and contribution revenue in the current year and \$127,236 in the prior year.

Recreation

The Recreation Fund is comprised of five departments, including the Golf Course, Restaurant, Event Center, 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 shooting complex, farm land, apartment land, and oil royalties.

Net position increased by \$1,059,917, after an increase last year of \$1,098,969. Cash flow was negative during the year by \$155,186, largely due to purchasing capital assets during the year of \$302,101 and funding various projects in the amount of \$314,479.

Golf course revenue decreased almost 2% this year compared to the prior year. Seasons Lodge revenue decreased 6% in the current year. Lease revenue increased 21% in the current year. Oil royalty revenue fluctuates with the price of crude and production. During the year, the price of crude was slightly lower compared to 2024.

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

Sewage Treatment System

Net position increased by \$165,612 compared to a decrease of \$16,871 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 78% of the billing. Maintenance charges assessed and unpaid are for damages to the sewage system by materials improperly put into the system per District ordinances.

CAPITAL ASSETS AND DEBT ADMINISTRATION

As of year-end, the District had \$117,134,508 invested in a variety of capital assets and \$1,130,521 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	\$ 2,428,430	\$ 113,218,682	\$ 115,647,112
Land	925,323	562,073	1,487,396
Construction in Progress	-	1,130,521	1,130,521
Accumulated Depreciation	<u>(2,180,028)</u>	<u>(68,716,000)</u>	<u>(70,896,028)</u>
Total	<u>\$ 1,173,725</u>	<u>\$ 46,195,276</u>	<u>\$ 47,369,001</u>

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Subscription-Based IT Arrangements (SBITAs)

During the fiscal year, the District implemented GASB Statement No. 96, Subscription-Based Information Technology Arrangements. This standard requires governments to recognize a subscription asset and a corresponding subscription liability for SBITAs that convey control of the right to use IT software and related services over the subscription term.

As a result of implementing GASB 96, the District recorded subscription assets of \$68,494 and subscription liabilities of \$68,493 as of April 30, 2025. These balances relate to software solutions supporting financial cloud software (Blackbaud), property management software (Maestro).

The subscription asset is measured at the present value of subscription payments using an interest rate of 6.80%.. The subscription liability represents the discounted value of future subscription payments over the contract term.

Implementation of GASB 96 resulted in:

- An increase in noncurrent assets due to recognition of the subscription asset.
- An increase in current and long-term liabilities due to recognition of the subscription liability.
- A change in amortization expense, which now includes amortization of the subscription asset over the subscription term.
- Interest expense on the subscription liability recognized using the effective interest method.

For FY 2025, the District recognized:

- Amortization expense of \$72,047
- Interest expense of \$877
- Subscription payments of \$72,022 (paid before implementation)

The District expects additional SBITA arrangements to be evaluated in upcoming years as legacy IT systems are replaced with cloud-based technologies. Future subscription assets and liabilities will be recognized in accordance with GASB 96 as new agreements are executed or existing ones are modified.

Debt Outstanding

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

ILEPA	\$ 365,675
Interfund loans	1,333,065

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

FINANCIAL CONTACT

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