

**TRI-TOWNSHIP WATER DISTRICT  
TRENTON, ILLINOIS  
ANNUAL FINANCIAL STATEMENTS –  
MODIFIED CASH BASIS  
FOR THE YEAR ENDED APRIL 30, 2017**

**Tri-Township Water District, Trenton, Illinois**  
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## INDEPENDENT AUDITOR'S REPORT

June 26, 2017

To the Trustees of  
Tri-Township Water District  
180 State Route 160  
Trenton, Illinois 62293

We have audited the accompanying modified cash basis financial statements of Tri-Township Water District, Trenton, Illinois, as of and for the year ended April 30, 2017, and the related notes to the financial statements, which collectively comprise the 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 the modified cash basis of accounting described in Note 1B; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 error or fraud.

## **Auditor's Responsibility**

Our responsibility is to express an opinion 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of Tri-Township Water District, Trenton, Illinois, as of April 30, 2017, and the changes in modified cash basis financial position and cash flows, thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1B.

## **Basis of Accounting**

We draw attention to Note 1B of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

## **Other Matters**

### Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Summary Statement of Revenue and Expenses and Comparison with Budget on page 24, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Tri-Township Water District, Trenton, Illinois' basic financial statements. The Revenue Account Requirements on pages 25 through 27 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Revenue Account Requirements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Revenue Account Requirements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2017, on our consideration of Tri-Township Water District, Trenton, Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tri-Township Water District, Trenton, Illinois' internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "Krehbiel & Associates, LLC". The signature is written in a cursive, flowing style.

Krehbiel & Associates, LLC  
Certified Public Accountants



James M. Randall, C.P.A.  
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& ASSOCIATES, LLC**

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

June 26, 2017

To the Trustees of  
Tri-Township Water District  
180 State Route 160  
Trenton, Illinois 62293

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Tri-Township Water District, Trenton, Illinois, as of and for the year ended April 30, 2017, and the related notes to the financial statements, which collectively comprise Tri-Township Water District, Trenton, Illinois' basic financial statements and have issued our report thereon dated June 26, 2017. The financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

## Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tri-Township Water District, Trenton, Illinois' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tri-Township Water District, Trenton, Illinois' internal control. Accordingly, we do not express an opinion on the effectiveness of Tri-Township Water District, Trenton, Illinois' internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify the following deficiency in internal control that we consider to be a material weakness:

- 1) Tri-Township Water District, Trenton, Illinois relies on its auditors to prepare the entity's financial statements.

In response to the material weakness described above, Tri-Township Water District, Trenton, Illinois' management stated the following:

- 1) While they review, approve and accept responsibility for the financial statements and related notes, they do not possess the time or resources to independently draft the financial statements and feel it would be cost prohibitive to perform this function internally.



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Tri-Township Water District, Trenton, Illinois' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Tri-Township Water District's Response to Findings**

Tri-Township Water District, Trenton, Illinois' response to the findings identified in our audit is described previously. Tri-Township Water District, Trenton, Illinois' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Krehbiel & Associates, LLC  
Certified Public Accountants

**Tri-Township Water District, Trenton, Illinois**  
**Statement of Net Position – Modified Cash Basis**  
**April 30, 2017**

**ASSETS**

Current Assets:

Cash	\$ 407,373
Total Current Assets	<u>407,373</u>

Noncurrent Assets:

Restricted Cash	631,581
Capital Assets, net of accumulated depreciation	<u>4,841,908</u>
Total Noncurrent Assets	<u>5,473,489</u>

Total Assets	<u>5,880,862</u>
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**LIABILITIES**

Current Liabilities:

Real Estate Tax Payable	3,163
Revenue Bonds – Current Portion	115,000
Installment Bonds – Current Portion	8,958
Note Payable – Current Portion	<u>5,446</u>
Total Current Liabilities	<u>132,567</u>

Noncurrent Liabilities:

Revenue Bonds – Long-Term Portion	4,881,000
Installment Bonds – Long-Term Portion	286,371
Note Payable – Long-Term Portion	<u>140,512</u>
Total Noncurrent Liabilities	<u>5,307,883</u>

Total Liabilities	<u>5,440,450</u>
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**NET POSITION**

Net investment in capital assets	(595,379)
Restricted for debt service	247,821
Restricted for depreciation	27,300
Restricted for reserve	356,460
Unrestricted	<u>404,210</u>
Total Net Position	<u>\$ 440,412</u>

See accompanying notes to the basic financial statements.

**Tri-Township Water District, Trenton, Illinois**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position –**  
**Modified Cash Basis**  
**For the Fiscal Year Ended April 30, 2017**

**Operating Revenues:**

Charges for Services:	
Treated Water Sales	\$ 889,556
Tap on Fees	75,000
Miscellaneous Revenues	<u>10,965</u>
Total Operating Revenues	<u>975,521</u>

**Operating Expenses:**

Wages and Payroll Taxes	65,169
Contract Services	73,200
Insurance Expense	17,092
Utilities	18,256
Professional Fees	16,323
Water	198,472
Office and Administrative Expenses	37,357
General Operating Expenses	72,716
Miscellaneous Expense	10,477
Depreciation Expense	<u>196,980</u>
Total Operating Expenses	<u>706,042</u>

Operating Income (Loss)	<u>269,479</u>
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**Non-Operating Revenues (Expenses):**

Other Income	0
Interest Income	1,526
Interest Expense	<u>(238,313)</u>
Total Non-Operating Revenues (Expenses):	<u>(236,787)</u>

Increase/(Decrease) in Net Position	32,692
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Total Net Position – Beginning	<u>407,720</u>
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Total Net Position – Ending	<u><u>\$ 440,412</u></u>
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See accompanying notes to the basic financial statements.

**Tri-Township Water District, Trenton, Illinois**  
**Statement of Cash Flows – Modified Cash Basis**  
**For the Fiscal Year Ended April 30, 2017**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers	\$ 975,521
Payments to suppliers	(443,893)
Payments to employees and payroll taxes	<u>(65,169)</u>
Net Cash Provided by Operating Activities	<u>466,459</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Intergovernmental agreement	0
Purchase of capital assets	(302,285)
Principal paid on capital debt	(127,566)
Interest paid on capital debt	(238,313)
Advance on capital debt	150,000
Real estate tax payable	<u>3,163</u>
Net Cash Provided by (Used In) Capital and Related Financing Activities	<u>(515,001)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest	<u>1,526</u>
Net Cash Provided by Investing Activities	<u>1,526</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(47,016)
Balance – Beginning of the Year	<u>1,085,970</u>
Balance – End of the Year	<u>\$ 1,038,954</u>

**Reconciliation of operating income (loss) to net cash provided by operating activities:**

Operating income (loss)	\$ 269,479
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	<u>196,980</u>
Net cash provided by operating activities	<u>\$ 466,459</u>

See accompanying notes to the basic financial statements.

**Tri-Township Water District, Trenton, Illinois**  
**Notes to Financial Statements**  
**April 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Tri-Township Water District was organized and incorporated in the year 1994 under and pursuant to the provisions of the general laws of the State of Illinois providing for the organization of water districts, including the Public Water District Act (Section 3705/0.01 et seq. of Chapter 70 of the Illinois Compiled Statutes [70 ILCS 3705/0.01 et seq.]). The cost of Phase I of the water distribution system was defrayed by loans from Rural Development (FmHA) of the United States Department of Agriculture and a grant pursuant to the applicable Section of the Rural Development Act.

The District's Trustees are appointed by the Madison, St. Clair and Clinton County Boards from the water system users. The District has oversight authority over no other entity and no other entity effectively has control over the District. The financial statements are of Tri-Township Water District and include no other financial information.

As discussed further in Note 1, these financial statements are presented on a modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**1.A. FINANCIAL REPORTING ENTITY**

For financial reporting purposes, the accompanying financial statements include all of the operations over which the District is financially accountable. As defined by GASB Statement No. 14 and No. 39, component units are legally separate entities that are included in the District's reporting entity because of the significance of their operating or financial relationships with the District. There are no component units to report.

**1.B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.



**Tri-Township Water District, Trenton, Illinois**  
**Notes to Financial Statements**  
**April 30, 2017**

MEASUREMENT FOCUS

The District accounts for its operations in an enterprise fund (a type of proprietary fund) using the economic resources measurement focus within the limitations of the modified cash basis of accounting. All assets and liabilities associated with the operation of the District are included on the Statement of Net Position. All revenues, expenses and increases/decreases in total economic net worth are included on the Statement of Revenues, Expenses and Changes in Fund Net Position.

An enterprise fund distinguishes 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 District's principal ongoing operations. The principal operating revenues of the District are charges to customers for treated water sales. Operating expenses for the District include the cost 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.

BASIS OF ACCOUNTING

In the enterprise fund financial statements, business-like activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position, revenues, and expenses when they result from cash transactions with a provision for depreciation. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements.

If the District utilized the basis of accounting recognized as generally accepted, the fund financial statements for proprietary fund types would use the accrual basis of accounting.

**Tri-Township Water District, Trenton, Illinois**  
**Notes to Financial Statements**  
**April 30, 2017**

**1.C. ASSETS, LIABILITIES, AND EQUITY**

**CASH AND CASH EQUIVALENTS**

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments.

**CAPITAL ASSETS**

The District's modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation where appropriate.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the Statement of Revenues, Expenses, and Changes in Fund Net Position, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$5,000 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

Buildings & Improvements	25-40 years
Land Improvements	10-20 years
Machinery & Equipment	5-10 years
Vehicles	5-10 years
Utility Systems	25-40 years

**LONG-TERM DEBT**

All long-term debt arising from cash basis transactions to be repaid from business-type resources is reported as liabilities in the fund financial statements.

**Tri-Township Water District, Trenton, Illinois**  
**Notes to Financial Statements**  
**April 30, 2017**

**EQUITY CLASSIFICATION**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Currently, the District does not have any deferred outflows of resources or any deferred inflows of resources. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

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

**1.D. REVENUES AND EXPENSES**

**OPERATING REVENUE AND EXPENSES**

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

**1.E. USE OF ESTIMATES**

The preparation of financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by the District requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

**NOTE 2. DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS**

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, net position, revenues, and expenses.

**Tri-Township Water District, Trenton, Illinois**  
**Notes to Financial Statements**  
**April 30, 2017**

**2.A. CASH AND INVESTMENTS**

CUSTODIAL CREDIT RISK – DEPOSITS

Custodial credit risk is the risk that, in the event of a bank failure, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District does not have a formal deposit policy for custodial credit risk.

At April 30, 2017, the District's deposits had a carrying amount of \$1,038,754. The bank balance on deposit with the District's financial institutions at April 30, 2017 was \$1,078,130. Of the bank balance, \$570,156 was covered by federal depository insurance and \$507,974 was uninsured but collateralized with securities held by the pledging financial institution. At year end, the District's petty cash fund was \$200.

CASH AND INVESTMENTS

The District is allowed to invest in securities as authorized by the Illinois Compiled Statutes, Chapter 30 ILCS 235/2 and 235/6; and Chapter 105 ILCS 8-7. A brief summary of allowable investments is as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper, and repurchase agreements with certain limitations.
- d. County, municipal, or school district tax-supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district.

**Tri-Township Water District, Trenton, Illinois**  
**Notes to Financial Statements**  
**April 30, 2017**

- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the Securities and Exchange Commission and in which investments consist of the investments mentioned in the previous paragraphs a, b, c, and d.

During the year ended April 30, 2017, the District did not have any investments.

**2.B. RESTRICTED ASSETS**

The amounts reported as restricted assets are composed of amounts held by the Water Fund for debt service, reserve, and depreciation as follows:

Depreciation Reserve	\$ 27,300
Bond and Interest	247,821
Reserve Accounts	<u>356,460</u>
Restricted Cash	<u>\$ 631,581</u>



**Tri-Township Water District, Trenton, Illinois**  
**Notes to Financial Statements**  
**April 30, 2017**

**2.C. CAPITAL ASSETS**

Capital asset activity, resulting from modified cash basis transactions, for the fiscal year ended April 30, 2017, was as follows:

	Balance at May 1, 2016	Additions	Deductions	Balance at April 30, 2017
Capital Assets not being Depreciated:				
Land	\$ 80,667	\$ 21,680	\$ 0	\$ 102,347
Total Capital Assets not being Depreciated	<u>80,667</u>	<u>21,680</u>	<u>0</u>	<u>102,347</u>
Other Capital Assets:				
Water System	7,418,204	7,986	0	7,426,190
Building	0	245,816	0	245,816
Field and Office Equipment	136,867	26,803	0	163,670
Construction in Process	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Capital Assets at Historical Cost	<u>7,555,071</u>	<u>280,605</u>	<u>0</u>	<u>7,835,676</u>
Less Accumulated Depreciation for:				
Water System	2,774,609	185,654	0	2,960,263
Building	0	4,033	0	4,033
Field and Office Equipment	<u>124,526</u>	<u>7,293</u>	<u>0</u>	<u>131,819</u>
Total Accumulated Depreciation	<u>2,899,135</u>	<u>196,980</u>	<u>0</u>	<u>3,096,115</u>
Other Capital Assets, net	<u>4,655,936</u>	<u>83,625</u>	<u>0</u>	<u>4,739,561</u>
Capital Assets, net	<u>\$ 4,736,603</u>	<u>\$ 105,305</u>	<u>\$ 0</u>	<u>\$ 4,841,908</u>

**Tri-Township Water District, Trenton, Illinois**  
**Notes to Financial Statements**  
**April 30, 2017**

**2.D. LONG-TERM DEBT**

As of April 30, 2017, the long-term debt arising from cash transactions, payable from proprietary fund resources consisted of the following:

Revenue Bonds:

- |   |              |
|---|--------------|
| - Water Revenue Bonds to Rural Development, dated January 22, 1997, payable in semi-annual installments with interest at 4.875%, final payment due May 1, 2037  | \$ 2,160,000 |
| - Water Revenue Bonds to Rural Development, dated December 27, 1999, payable in semi-annual installments with interest at 4.375%, final payment due May 1, 2039 | 1,560,000    |
| - Water Revenue Bonds to Rural Development, dated July 9, 2009, payable in semi-annual installments with interest at 3.50%, final payment due May 1, 2048       | 1,276,000    |

Installment Bonds:

- |  |         |
|--|---------|
| - Water Installment Bonds to Rural Development, dated March 5, 1997, payable in annual installments with interest at 5.0%, final payment due May 1, 2037 | 295,329 |
|--|---------|

Note Payable:

- |   |                |
|---|----------------|
| - Note Payable to Bradford National Bank for real estate located at 180 State Route 160, Trenton, IL, payable in monthly installments of \$794.06 with the final payment due September 1, 2036. The loan has a 2.5% interest rate and is secured by the aforementioned real estate. | <u>145,958</u> |
|---|----------------|

Total Long-Term Debt	<u>\$ 5,437,287</u>
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**Tri-Township Water District, Trenton, Illinois**  
**Notes to Financial Statements**  
**April 30, 2017**

**CHANGES IN LONG-TERM DEBT**

The following is a summary of changes in long-term debt for the year ended April 30, 2017:

Type of Debt	Balance May 1, 2016	Additions	Reductions	Balance April 30, 2017	Amount Due Within One Year
Revenue Bonds:					
Phase I	\$ 2,220,000	\$ 0	\$ 60,000	\$ 2,160,000	\$ 60,000
Phase II	1,600,000	0	40,000	1,560,000	40,000
Installment Bonds	303,853	0	8,524	295,329	8,958
Phase III	1,291,000	0	15,000	1,276,000	15,000
Note Payable:					
Bradford Bank	0	150,000	4,042	145,958	5,446
Totals	<u>\$ 5,414,853</u>	<u>\$ 150,000</u>	<u>\$ 127,566</u>	<u>\$ 5,437,287</u>	<u>\$ 129,404</u>

**DEBT SERVICE REQUIREMENTS TO MATURITY**

The annual debt service requirements to maturity, including principal and interest, for long-term debt, as of April 30, 2017, are as follows:

Fiscal Year Ended April 30	Principal	Interest	Total
2018	\$ 129,404	\$ 233,668	\$ 363,072
2019	145,491	227,902	373,393
2020	166,115	221,065	387,180
2021	166,767	213,713	380,480
2022	187,446	205,896	393,342
2023-2027	1,008,539	900,161	1,908,700
2028-2032	1,210,695	654,817	1,865,512
2033-2037	1,606,830	344,888	1,951,718
2038-2042	440,000	96,601	536,601
2043-2047	300,000	39,550	339,550
2048-2049	76,000	1,365	77,365
Total	<u>\$ 5,437,287</u>	<u>\$ 3,139,626</u>	<u>\$ 8,576,913</u>

**Tri-Township Water District, Trenton, Illinois**  
**Notes to Financial Statements**  
**April 30, 2017**

**NOTE 3. OTHER NOTES**

**3.A. EMPLOYER PENSION AND OTHER BENEFIT PLANS**

The District does not participate in the Illinois Municipal Retirement Fund. However, employees are covered under social security.

**3.B. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters.

The District manages these various risks of loss through the purchase of commercial insurance, summarized as follows:

Name and Policy Type	Coverage Amount	Expiration Date	Risks Covered
Auto Owners Insurance Company			
General Liability	3,000,000	2-26-18	Coverage Part Aggregate
	1,000,000		General Liability per Occurrence
	300,000		Fire Damage per Occurrence
	10,000		Medical Payments (Any One Person)
	426,700		Office
	4,000		Antenna
	75,000		Water Lift Pump
	600,000		Water Tower–Bellm Hill
	600,000		Water Tower–Birger Hill
	411,600		Pump Station/Chemical Station

**Tri-Township Water District, Trenton, Illinois**  
**Notes to Financial Statements**  
**April 30, 2017**

(Continued)

Name and Policy Type	Coverage Amount	Expiration Date	Risks Covered
Auto Owners Insurance Company			
Inland Marine	25,000	2-26-18	Building Materials and Installation Property
	15,000		Electronic Data Processing Equipment (\$2,500 maximum limit per laptop computer)
	25,000		Contractors Equipment and Tools (\$2,500 maximum limit per tool)
	500 per day		Rental Reimbursement and Extra Expense for Contractors Equipment (\$2,500 maximum)
	23,000		Miscellaneous Property
Auto Owners Insurance Company			
Fidelity Bond	320,000	10-1-17	Bond Amount
Old Republic Surety Company			
Public Officials Liability	1,000,000	1-20-18	Liability Limit
Auto Owners Insurance Company			
Worker's Compensation	500,000	2-26-18	Bodily Injury by Accident
	500,000		Bodily Injury by Disease (Each Employee)
	500,000		Bodily Injury by Disease (Policy Limit)
Auto Owners Insurance Company			
Auto	1,000,000	2-26-18	Auto Liability per Occurrence
	1,000,000		Uninsured Motorists Coverage
	1,000,000		Underinsured Motorists Coverage
	1,000		Medical Payments (Any One Person)

Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. During the year ended April 30, 2017, there were no significant reductions in insurance coverage. Also, settled claims have not exceeded this insurance coverage in any of the past three fiscal years.



**Tri-Township Water District, Trenton, Illinois**  
**Notes to Financial Statements**  
**April 30, 2017**

**3.C. ECONOMIC DEPENDENCY**

The District purchases all water from SLM Water Commission. Total purchases for the current year were \$198,472.

**NOTE 4. COMMITMENTS**

**4.A. WATER OPERATOR AGREEMENT**

On April 6, 2016, the District renewed their agreement with a local company to operate the District's water treatment facilities and perform such other duties as may be associated with the regular maintenance and operation of the water system. The agreement is binding for three (3) years with a commencement date of May 1, 2016 and an ending date of April 30, 2019. The District will pay the water operator \$6,100 per month in Year 1, \$6,220 per month in Year 2 and \$6,340 per month in Year 3. In addition, any services performed by the water operator that does not constitute "normal maintenance" will cost the District \$48/hour the first year and then an increase equal to the cost of living adjustment for the next two years.

**4.B. WATER PURCHASE CONTRACT**

On October 23, 1996, the District entered into a contract with Summerfield, Lebanon, Mascoutah Water Commission (SLM) whereby the District agreed to purchase its treated and potable water for distribution to its customers from SLM. The original contract stipulated that the District shall not purchase water from any other supplier (nor shall it produce any water itself unless SLM is unable to supply the water demands of the District) for a period of forty (40) years from the date of the initial delivery of water to the District. Due to the expansion of the District's water system and subsequent amendments to the SLM contract as a result, the District is obligated to purchase its water from SLM through May 1, 2049. The District also has an option to renew the contract for another forty (40) year term upon expiration of the initial 40-year term.

**Tri-Township Water District, Trenton, Illinois**  
**Notes to Financial Statements**  
**April 30, 2017**

**4.C. WATER SALES CONTRACTS**

On September 30, 1999, the District entered into a contract with the Village of Pierron whereby the District agreed to sell the Village of Pierron potable water in such quantities as may be required, not to exceed 2,000,000 gallons per month but not to be less than 600,000 gallons per month. The contract is in effect for a period of forty (40) years from the date of the initial delivery of water to the Village. The Village of Pierron was also granted an option to renew the contract for another forty (40) years after the expiration of the initial 40-year term.

On May 18, 2000, the District entered into a contract with the Village of St. Jacob whereby the District agreed to sell the Village of St. Jacob potable water in such quantities as may be required, not to exceed 1,000,000 gallons per month but not to be less than 100,000 gallons per month. The contract is in effect for a period of forty (40) years from the date of the initial delivery of water to the Village. The Village of St. Jacob was also granted an option to renew the contract for another forty (40) years after the expiration of the initial 40-year term.

## **OTHER INFORMATION**

**Tri-Township Water District, Trenton, Illinois**  
**Summary Statement of Revenue and Expenses and**  
**Comparison with Budget**  
**For the Fiscal Year Ended April 30, 2017**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating Revenue:</b>			
Treated Water Sales	\$ 840,000	\$ 889,556	\$ 49,556
Tap on Fees	50,000	75,000	25,000
Other Income	5,000	10,965	5,965
Total Operating Revenue	<u>895,000</u>	<u>975,521</u>	<u>80,521</u>
<b>Operating Expenses:</b>			
Water Purchased	170,000	198,472	(28,472)
Wages and Payroll Taxes	60,000	65,169	(5,169)
Utilities	16,000	18,256	(2,256)
Miscellaneous	5,500	10,477	(4,977)
Office and Administrative Expenses	56,000	70,772	(14,772)
General Operating Costs	85,000	72,716	12,284
Contract Services (Maintenance and Meter Reading)	<u>73,200</u>	<u>73,200</u>	<u>0</u>
Total Operating Expenses	<u>465,700</u>	<u>509,062</u>	<u>(43,362)</u>
Operating Income Before Depreciation	429,300	466,459	37,159
Less Provision for Depreciation	<u>191,407</u>	<u>196,980</u>	<u>(5,573)</u>
Net Operating Income	237,893	269,479	31,586
<b>Other Income and Expenses:</b>			
Interest Income	3,000	1,526	(1,474)
Interest Expense	(235,995)	(238,313)	(2,318)
Other Income	<u>0</u>	<u>0</u>	<u>0</u>
Net Income (Loss) for the Year	<u>\$ 4,898</u>	<u>\$ 32,692</u>	<u>\$ 27,794</u>

Note: Budget and Actual are prepared on the modified cash basis of accounting.

## **SUPPLEMENTARY INFORMATION**



**Tri-Township Water District, Trenton, Illinois**  
**Revenue Account Requirements**  
**April 30, 2017**

In accordance with the provisions of Bond Ordinances passed by Tri-Township Water District, Madison, St. Clair and Clinton Counties, Illinois the District is required to establish separate reserve accounts and make payments thereto as follows:

- a) Operation and Maintenance Account. There shall be paid into the Operation and Maintenance Account, on the first business day of each month an amount sufficient to pay the reasonable expenses of the operation, maintenance and repair of the District's waterworks system for the current month, including, without limiting the generality of the foregoing, salaries, wages, taxes, costs of materials and supplies, insurance, power, fuel, reasonable repairs and extensions necessary to render efficient service.
- b) Bond and Interest Account. There shall be paid into the Bond and Interest Account on the first business day of each month, after the required payment has been determined, a fractional amount of the principal and interest becoming due on the next succeeding principal and/or interest payment date (occurring within 6 months as to interest and within 12 months as to principal) on all outstanding bonds authorized to be issued under the terms of the ordinances.

Payments into the Bond and Interest Account may be suspended in any fiscal year at such time as there shall have been paid into such Account sufficient monies to pay the total principal and interest for such pertinent fiscal year, but such payments shall again be resumed at the beginning of the new fiscal year. All monies in such Account shall be used only for the purpose of paying interest and principal on the bonds hereby authorized as the same shall become due and including principal and interest on all bonds hereafter issued and on a parity with the bonds herein authorized.

As of April 30, 2017, the Bond and Interest Account requirement was \$247,821. The District has adequately funded this account at April 30, 2017.

**Tri-Township Water District, Trenton, Illinois**  
**Revenue Account Requirements**  
**April 30, 2017**

- c) Reserve Account. Relative to Phase III Revenue Bonds, there shall be paid into the Reserve Account the sum of \$615 on the first day of each month until such account accumulates a total amount of \$73,800. After \$73,800 has accumulated in such Reserve Account, no further deposits need be made therein except to replace withdrawals at a monthly rate of \$615. Phase I and Phase II Revenue Bonds contained monthly deposit requirements of \$1,630 and \$910, respectively until the accounts accumulated \$195,600 and \$109,200, respectively. As of April 30, 2013, the reserve accounts for Phase I and Phase II had accumulated the maximum required amounts.

The monies in such Reserve Account shall be used to the extent necessary to prevent or remedy a default in the payment of the interest on or principal of any bonds of the Issuer which by their terms are payable from the revenues of the waterworks system and shall be transferred to the Bond and Interest Account for such purpose, and whenever such an amount is withdrawn from such Reserve Account and so transferred to the Bond and Interest Account, the amount so transferred shall be added to the amount to be next and thereafter paid into such Reserve Account to again be paid monthly at the foregoing rate (in addition to any then required deposit) until full reimbursement to such Reserve Account has been made.

As of April 30, 2017, the reserve account requirement for all Revenue Bonds (Phase I, II and III) was \$356,460. The District has adequately funded these accounts at April 30, 2017.

- d) Depreciation Account. There shall be paid into the Depreciation Account the sum of \$325 on the first day of the month until such account accumulates a total amount of \$100,000. The monies in such Depreciation Account shall be used to the extent necessary to make any needful repairs or replacements to the Issuer's waterworks system and, although not reasonably expected, to prevent or remedy a default in the payment of the interest on or principal of any bonds of the Issuer which by their terms are payable from the revenues of such system.

As of April 30, 2017, the Depreciation Account requirement was \$27,300. The District has adequately funded this account at April 30, 2017.

**Tri-Township Water District, Trenton, Illinois**  
**Revenue Account Requirements**  
**April 30, 2017**

- e) Surplus. After all the required payments into the accounts herein above described have been made, including the payments of any deficiencies, and when there is on deposit in the above-described Reserve Account the full maximum amount required to be accumulated in such Reserve Account, then all moneys remaining in the Waterworks Fund ("surplus funds") may be used for the purpose of calling and redeeming and prepaying any outstanding bonds of the Issuer which by their terms are payable from the income and revenues of the waterworks system as such bonds become redeemable according to their terms, or such monies may to the extent permitted by law be used for the purpose of constructing extensions and improvements to the waterworks system of the Issuer.
  
- f) Investments. The monies in any of the Accounts created by subparagraphs (a) through (e), as herein above created and set forth in this section may by resolution adopted by the Issuer be invested from time to time by the Treasurer of the Issuer in interest bearing bonds or other direct and general obligations of the United States Government maturing in not more than ten (10) years after the purchase date thereof and in certificates of deposit or time deposits constituting direct obligations of any savings and loan association or of any bank as defined in the Illinois Banking Act to the extent such certificates or deposits are insured by the Federal Deposit Insurance Corporation or its successor and mature in not more than ten (10) years after the purchase date thereof, and such investments shall be sold from time to time by such Treasurer pursuant to a resolution of the Board of Trustees as funds may be needed for the purpose for which such Accounts have been created. All accrued interest received from any such investments shall be considered and treated as income and revenues of the waterworks system and be deposited as received in the Issuer's Waterworks Fund.

Monies in each of the several Accounts above described shall be kept separate and apart from all other funds and monies of the Issuer and shall be deposited in The Bank of Edwardsville which bank is located and doing business in the State of Illinois and was organized under the laws of the State of Illinois, and whose deposits are insured under the provisions of the Federal Deposit Insurance Act, or its successor.